GET A WARM
ZZY FEELING
SaskEnergy

PICTURE A BETTER FUTURE

SASKENERGY 2001 CORPORATE SOCIAL RESPONSIBILITY REPORT

Sharing our energy and spirit with the community...

through the dedicated efforts of SaskEnergy and TransGas

employees, we're helping to make Saskatchewan better.

HEATHER MCINNIS

ADMINISTRATIVE
CO-ORDINATOR
TRANSGAS - REGINA

"I organize the Blood Donor Challenges for SaskEnergy and enjoy the challenge of recruiting new blood donors. Blood is a very unique commodity and the need for it never ends. Volunteering is a lesson to our children who someday will be the volunteers in our community. It teaches them commitment, responsibility, faith, hope and love."

CATHERINE COX

CUSTOMER SERVICE
REPRESENTATIVE I
SASKENERGY - KINDERSLEY

"I enjoy working for a company that provides me with the opportunity to contribute to my community and encourages self development. For the past nine years I've been involved in the Junior Achievement Program where I can have a positive impact on youth. I've also volunteered at local rodeos, Sweater Recycling events and sports activities sponsored by SaskEnergy."

FRED DONALD

SERVICE TECHNICIAN II
SASKENERGY - ESTERHAZY

"Considering Esterhazy is a great community, it's easy for many to get outside and enjoy their surroundings. My wife and I developed 25 kilometres of cross-country ski trails and 10 kilometres of hiking and biking trails in the Esterhazy area. I've also been involved in the company's Sweater Recycling Project – a great way to show my support for the community."

TransGas

SaskEnergy

2001

CORPORATE SOCIAL RESPONSIBILITY REPORT

DID YOU KNOW

SaskEnergy and TransGas contributed more than **$1.2 million** to **487** community events and charities throughout the province in 2001.

Our **Share the Warmth Recycling Project** is the largest community relations project in Saskatchewan, nationally recognized by the Canadian Centre for Philanthropy.

Last year, almost half of our employees volunteered **4,000 hours** to corporate community investment activities across the province.

SaskEnergy recognizes the abilities and contributions of all its employees, through its award-winning **diversity and training programs**.

86% of employees received training last year.

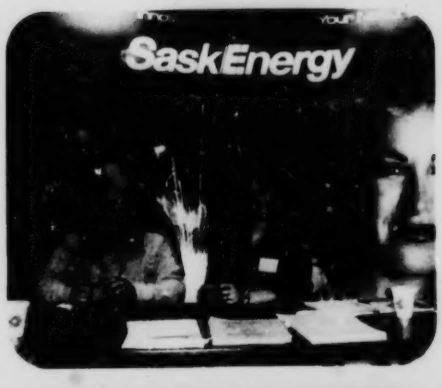
74% of our goods and services were procured with Saskatchewan businesses.

We've reduced our greenhouse gas emissions by more than **100,000 tonnes** since 1996, and have been nationally recognized as a Canadian leader for our commitment to protecting the environment.

Want to know more? Read on.

GET A WARM
FUZZY FEELI

ET A WARM
ZZY FEELI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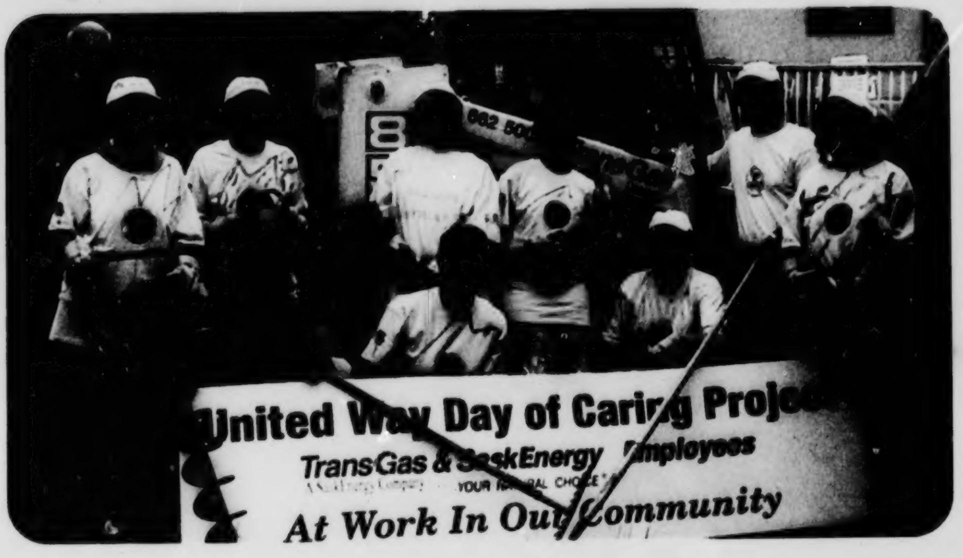

United Way Day of Caring Proje
TransGas & SaskEnergy Employees
YOUR NATURAL CHOICE
At Work In Our Community

HOW CAN A BUSINESS THAT SELLS NON-RENEWABLE ENERGY HELP SUSTAIN THE WORLD?

It's a question that companies like SaskEnergy face every day. And it's an issue that's increasingly important to our shareholders, our business partners, and others in our industry. Call it the collective "big picture" view of the future.

The answer is rooted in a common phrase called "social responsibility" or "sustainable development," which the Conference Board of Canada defines as "...the overall relationship of the corporation with all of its stakeholders." Corporate Social Responsibility (CSR) reporting is becoming a more popular, common practice throughout the business world each year. According to the United Nations, 1,500 to 2,000 companies world-wide report publicly on their sustainable development performance, a number that's growing rapidly.*

Last year we introduced ourselves and our shareholders to CSR. Highlighting four key areas of our business - Community Involvement; Human Resources; Corporate Practices and Standards; and Environmental Stewardship - we explained how our work in these areas compares to criteria developed by the Conference Board of Canada and the Canadian Centre for Business in the Community.

We also started tracking our performance with these organizations - to compare our CSR practices with those of similar organizations, and identify opportunities for us to integrate CSR into our daily business operations. Through this ongoing work, we learned that although we are making significant progress, there's still room to grow.

Building a better company takes great effort, but for SaskEnergy and TransGas employees it's a labour of love. Our goal is to embrace CSR at all levels throughout our company, so we can be a business that helps strengthen Saskatchewan communities, supports Saskatchewan people, and sustains the world.

*Source: *Conference Board of Canada.*

KRISTA WAGNER

CUSTOMER SERVICE
REPRESENTATIVE I
SASKENERGY - YORKTON

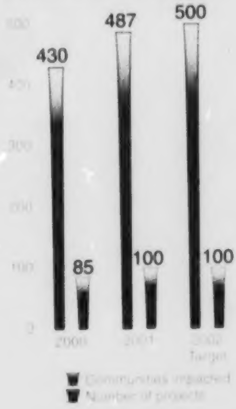
"I'm privileged to be involved in many worthwhile projects at SaskEnergy. Some of these include the Sweater Recycling Campaign and the Regional Science Fair. The greatest part of volunteering is working with so many wonderful people. I sincerely hope I've brought a smile or happy thought to people I've met along the way."

COMMUNITY INVOLVEMENT

BUILDING A STRONGER SOCIETY

Virtually every company has a slogan that describes the business and creates an image in its customers' minds. Although SaskEnergy's business tag-line is "Your Natural Choice," we also have a phrase that speaks to the heart of our company. It's "Share the Warmth," which our employees evoke with pride whether they're volunteering at charity barbecues, visiting inner-city youth, or preparing Christmas hampers for less fortunate families.

SaskEnergy's Community Investment in Saskatchewan



Our commitment to doing more than just writing cheques or making cash donations is one aspect of CSR that the Conference Board credits: "SaskEnergy's Community Involvement Program has been instrumental in strengthening its reputation as a corporate citizen in Saskatchewan. Over the last few years, the company has gone from having some involvement in a small number of communities to a strong involvement in many communities."

Our philosophy involves more than just a commitment to do better. It means we will continually look for new and vibrant opportunities to help improve the quality of life in our province - to give back to the place we call home.

SaskEnergy's community involvement encompasses a number of areas: our Share the Warmth Fund; a General Sponsorship Fund; an Aboriginal Sponsorship Fund; and an Employee Volunteerism Program.

The *Share the Warmth Fund* helps us expand our support to more cities and towns right across the province every year. Driven by our employees, this Fund ensures our corporate giving is far-reaching and diverse, in the categories of Education, Community Initiatives and Saskatchewan Pride. Last year, events in some 100 communities were supported - such as the Melville Canada Cup Baseball Championships, where our TransGas employees hosted a barbecue for 450 players, coaches and delegates.

Through our *General Sponsorship Fund* we have the latitude to support large and small initiatives throughout the province. For instance, through our multi-faceted partnership with the T-Rex Center in Eastend, we brought the prehistoric to life for thousands of students across the province at Children's Festivals and other educational events.

Supporting Aboriginal events and activities is another important component of our giving program. Through our *Aboriginal Sponsorship Fund,* every year we recognize special Aboriginal youth at a ceremony honouring their leadership in their communities. A handmade starblanket quilt is presented to selected members of SUNTEP graduating classes in Regina, Saskatoon and Prince Albert.

In support of breast cancer awareness, last year SaskEnergy sponsored "Busting with Energy," a team of breast cancer survivors who won first place in the Saskatoon Dragon Boat Races, of which we are the title corporate sponsor. We also provided space in our Regina and Melfort offices for a Saskatchewan Breast Cancer Study, where hundreds of women filled out surveys to determine the causes of the disease.

GROW

If your organization would like to apply to the SaskEnergy *Share the Warmth Fund,* please submit your proposal in writing, by outlining the following:

The project description, name and date(s);
What fund category it falls into, and why (either Education, Community Initiatives, or Saskatchewan Pride);
The individual organization leading the project;
The number of people who benefit;
The dollar amount required in materials, services or sponsorship;
What recognition SaskEnergy will receive for this level of contribution;
Any other available levels of sponsorship;
Other event supporters; and
Contact name(s), addresses.

Please give us as much advance notice as possible.

Send your written proposal to:
SaskEnergy *Share the Warmth Fund*
1000-1777 Victoria Avenue,
Regina SK S4P 4K5
Or fax it to: (306) 352-4438

The *Share the Warmth Fund* generally supports community initiatives or projects with donations up to $2,500. If you have a project that does not fall under this category, or a request for sponsorship that exceeds $2,500, please send your request to SaskEnergy Community Relations, 1000-1777 Victoria Avenue, Regina, Sk, S4P 4K5, or fax it to (306) 352-4438.

If you have any questions, please call *777-9378* (collect).

About 950 students from 20 First Nations schools across Saskatchewan participated in a natural gas safety calendar contest last fall. Besides the winners receiving a number of prizes, Peepeekisis School was awarded a natural gas barbecue for having 92% of students participate in the contest.

THE VOLUNTEER GIFT

Anyone who's ever volunteered can attest to the saying, "One person can make a difference." For the 435 employees who shared their time and energy at SaskEnergy-sponsored events throughout the province last year, this phrase carries special meaning.

Here's what some of our employees have to say about volunteering:

"Thanks for the opportunity to take on the role as the liaison between SaskEnergy and the Children's Health Foundation (CHF). It's a great opportunity to learn all about the CHF while representing SaskEnergy and to promote such a great charity. What a great company we work for!"
Jill Jackson, Kindersley.

"The reason I volunteer is because someday I may be on the receiving end of charity and may need the help of these groups or others like them. I want these groups to still be there for many years to come, so hopefully my volunteering will let them stretch their dollars a little farther."
Susan Real, Regina.

"Probably the biggest reason I volunteer with different groups and organizations is to give back what I received in my youth. Growing up in a small town, I did a lot of volunteering but I never realized it or appreciated it until I was older and saw what went on behind the scenes. I'm just giving back what I was fortunate enough to receive in my youth."
Bentley Biletski, Assiniboia.

TransGas employees from Unity took the time to beautify their community through the "Communities in Bloom" Project.

We believe in providing unique and rewarding volunteer opportunities for our employees - experiences that will help us strengthen our company and our province. For example, through the "Communities in Bloom" project, volunteers from the local TransGas Compressor station in Unity helped beautify their community last year by replacing and repairing deteriorating grave covers and making the cemetery grounds easier to maintain. SaskEnergy also presented special jackets to rodeo volunteers across the province, as one of the ways we celebrated the International Year of the Volunteer.

These are just a couple of the many wonderful volunteer stories made possible through the dedication and energy of our employees.

	2000	2001	2002 (Target)
Volunteer hours among employees	4,229	4,000	4,100
Percentage of employees who volunteer	44%	46%	50%

SaskEnergy employees also gave the gift of life last year, by participating in the Canadian Blood Services Corporate Challenge. Competing with SaskPower and SGI employees, SaskEnergy and TransGas employees in Regina donated a record 214 units of blood, which has the possibility of saving 856 lives. We also have a 10% participation rate, exceeding the Canadian average of 3%. For 2002, employees in Moose Jaw will also participate in a corporate challenge that's bound to be a good one.

PROVIDING WARMTH TO SASKATCHEWAN PEOPLE

It's easy to think of natural gas as the only source of warmth we provide. But there's a different kind of warmth we offer – one that gives physical comfort while instilling a sense of value and security for many in Saskatchewan.

Each summer for the past eight years, SaskEnergy and its employees have anxiously planned for our biggest community relations activity – our award-winning *Share the Warmth Recycling Project*. As the largest initiative of its kind in the province, this program helps the public come together to provide clean and usable warm clothing (or warm fuzzies) for less fortunate people in our province.

In 2001 we added a new dimension to the recycling program. Working with the Saskatchewan Literacy Network, we added children's books to the list of warm fuzzies we're collecting and helped spread the love of reading to more Saskatchewan families. And what a record-breaking year it was. In total, almost 100,000 warm fuzzies were gathered, sorted and distributed (67,000 pieces of clothing, and 33,000 children's books). Outside of Regina and Saskatoon, our SaskEnergy and TransGas district offices collected almost 46,000 warm fuzzies and more than 21,000 children's books.

This brings the eight-year total to almost half a million warm fuzzies!

Yet again, the *Share the Warmth Recycling Project* would not be a reality without the assistance and commitment of Saskatchewan people. More than 1,000 volunteers, 440 community agencies, schools, youth groups, businesses, partners, as well as 250 employees and their families...all who collected and distributed fuzzies and books across the province. Their dedication to this program and their exuberance in making it a success shows that the giving spirit grows each year in Saskatchewan.

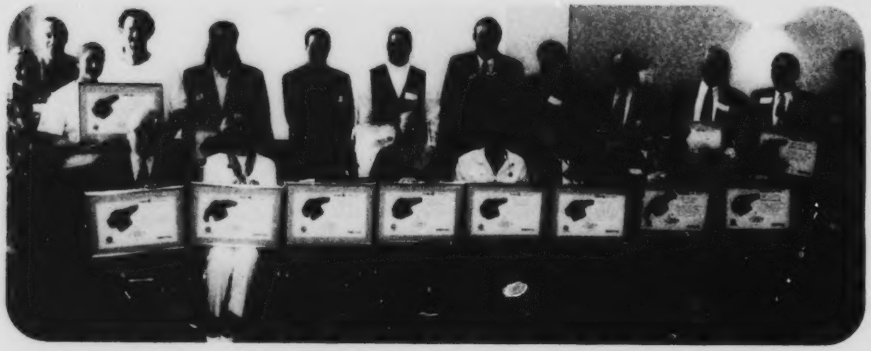
Brock Schultz, grandson of SaskEnergy employee Lauren Schultz in Swift Current, was proud to help his mom and grandma collect books and warm fuzzies for the 2001 Share the Warmth Recycling Project.

> ***"Family literacy is not just about reading and writing. It's also about developing strong relationships between parents and children. It's about getting parents involved in their children's education. We're proud to be involved in the Share the Warmth Project, such a widely recognized program that can help people see who we are and learn about literacy issues in our province."***
>
> ***– Saskatchewan Literacy Network.***

Share the Warmth Recycling Project	2000	2001	2002 (Target)
Communities	162	149	155
Partners	16	18	18

The Canadian Centre for Philanthropy recommends that interested companies dedicate a minimum 1% of pre-tax profits to community and social initiatives each year. Again this year, SaskEnergy has targeted 1.5% of its budgeted profits.

	2000	2001	2002(Target)
Total community relations investment	$1,069,398	$1,061,163	$1,027,950
% of community relations investment of budgeted annual profits	1.9%	1.5%	1.5%



In March, SaskEnergy and the United Way of Regina received the "New Spirit of Partnership Award" from the Canadian Centre for Philanthropy for our 1999 Sweater Recycling Project. We also used the ceremony to thank our valued partners for their commitment to the campaign.

PAT BRIGGS

METER SHOP SUPERVISOR
TRANSGAS - SASKATOON

"Being a part of the evolution of Safety, Health and Environment (SHE) at SaskEnergy has been both challenging and rewarding. I have been extremely lucky to have worked with many good people throughout the province who care about the people who work for SaskEnergy. It's important to be safe and healthy in our workplace so we can go home to our families at the end of the day."

HUMAN RESOURCES

PEOPLE ARE THE HEART OF SASKENERGY

Any company can tell you its employees are key to its success. But the proverbial proof is in the pudding.

SaskEnergy has always valued the business and professional commitment of all our employees. Nurturing their growth and supporting their development is key to strengthening our company. That's why we've developed a number of policies and programs to meet this goal.

First, we foster an environment of openness and recognition by considering applicants from all four designated equity groups - Aboriginal People, People with Disabilities, Women, and Visible Minorities.

Together with the Aboriginal community we've developed some comprehensive strategies to help advance education and technical skills development as well as encourage cultural preservation for Aboriginal people. As well, we've created representative workforce strategies that promote career access for Aboriginal people both inside and outside the company.

In 2001, SaskEnergy signed a three-year partnership agreement with the Prince Albert Grand Council (PAGC) – a unique and comprehensive accord focusing on a number of areas, including employment. This agreement joins our existing relationship with the Saskatoon Tribal Council and expands our participation with Aboriginal communities. Some of the activities with the PAGC include:

- A summer student placement program, where a First Nations student will work within the PAGC to help create and administer youth development programs;
- A leadership development program initiated by senior management. This involves human resource job evaluations, performance measurement, skills training, business planning, and improvements in business processes; and
- A joint action committee to identify journeyman trades, technical careers, and job strategies.

Our goal is to establish a workforce that represents Saskatchewan demographics. In 2001, the Saskatchewan Human Rights Commission recognized our accomplishments and innovations over the past three years. In particular, they were impressed with our Outreach and Recruitment Program, Aboriginal Management Development Program, Aboriginal Business Registry, and our partnership with the Adult Learning Centre.

The education of First Nations youth is a priority for SaskEnergy. Last year, the company helped support the Saskatchewan Indian Federated College's (SIFC) "Sharing Knowledge, Growing Minds, Building the Spirit" Campaign. According to SIFC President Dr. Eber Hampton, "Your support will ensure the SIFC continues to graduate outstanding First Nations students who will make significant contributions to our community."

A special supplement in *MacLean's* magazine recognized SaskEnergy's commitment to promote Aboriginal people to its management team. The Aboriginal Management Development Program (developed in 1995) was recognized as a leading initiative that builds management competencies and provides access to management positions for Aboriginal people, while helping SaskEnergy reach its business objectives.

Aboriginal representation within SaskEnergy increased from 6% in 2000 to 9% in 2001. But that's not the end of the story. Job representation for People with Disabilities also doubled last year, from 2% in 2000 to 4% in 2001. An informal partnership with the South Saskatchewan Independent Living Centre helped staff two new positions within the company.

In 1998, SaskEnergy announced it would award 20 post-secondary scholarships per year for the next five years, at a value of $5,000 each. To date, scholarships representing more than $400,000 have been awarded to students at seven post-secondary institutes across the province.

Complementary to our hiring policies are our training and development programs, which encourage our employees to reach their full potential. Our Service Technicians Training Program saw nine newcomers begin an intensive training regimen, where they'll spend about 15 weeks in classroom training, followed by about 20 months of hands-on apprenticeship experience before they fill vacant positions throughout the province. We also offer a successful Leadership Development Program (LDP), which for the past three years has helped participants become the future leaders of our company. In fact, LDP was recognized as a best-practice leadership development program last year as SaskEnergy presented its program at a major conference in the United States.

Supporting our employees also means making health and safety a priority. To successfully achieve our vision of health and safety excellence, last year we increased our focus in a number of key areas including job observation, the completion of the Corporate Health and Safety Audit Action Plan, and accident investigation.

Before entering various Service Technician positions around the province, new employees participate in a comprehensive training program.

Health and Safety at SaskEnergy/TransGas

Objectives	Measures	2000	2001	2002 (Target)
Employee Safety	**Lost Time Frequency Rate (number of injuries per 200,000 hours worked)**	**2.23**	**1.53**	**0**
Employee Safety	**Preventable Vehicle Incident Frequency Rate (per 1,000,000 kms driven)**	**3.01**	**2.40**	**0**

Although we're incorporating CSR into our human resource practices, we've identified other beneficial opportunities for the future. For instance, we're investigating how we can strengthen our ethics awareness programming beyond a topic covered in employee orientation. Our employees and their managers may also identify specific CSR objectives and incorporate them into yearly performance reviews.

According to the Conference Board, "Undertaking work in this area will position SaskEnergy as one of the most progressive companies on CSR and human resource management."

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CORPORATE PRACTICES & STANDARDS

PARTNERS WITH SASKATCHEWAN BUSINESS

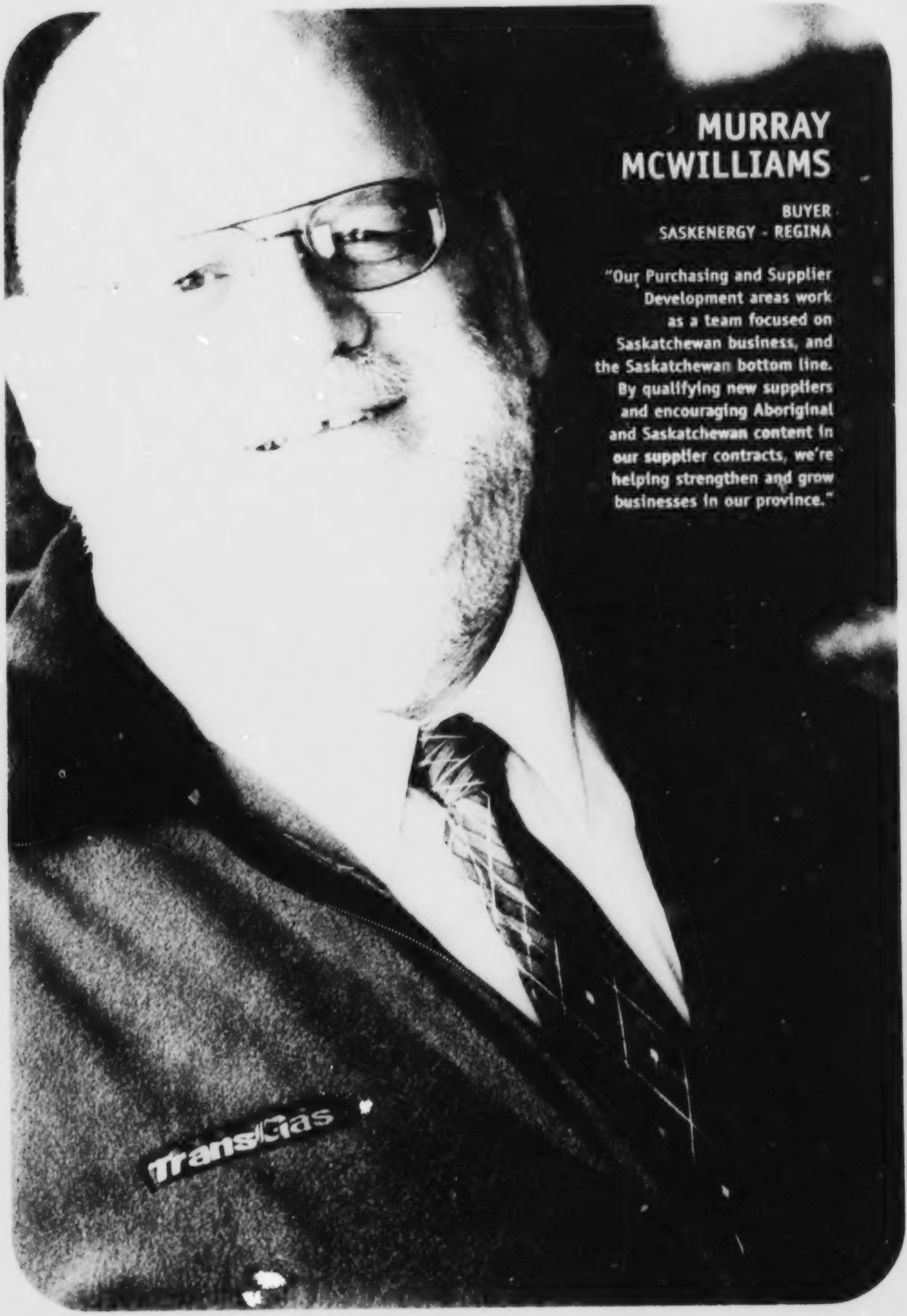
SaskEnergy's roots grow long and proud. Besides employing almost 1,000 Saskatchewan people throughout our province, we also believe in cultivating a mutually-beneficial relationship with Saskatchewan businesses. That's why the majority of products and services we use are procured from manufacturers, distributors and suppliers across the province.

Last year, 74% (or about $21 million) of our corporate items were purchased right here at home, creating a win-win situation not only for SaskEnergy, but for the entrepreneurs who help contribute to the economic and social well-being of our province.

A portion of our contracting each year is also awarded to various Aboriginal companies across Saskatchewan. This is part of our commitment to help stimulate and promote the economic wealth and well-being for Aboriginal families and businesses in this province.

Awarded contracts – Percentage of Aboriginal Content

Objectives	2000	2001	2002 (Target)
Awarded Contracts - % Aboriginal Labour Content	**18%**	**24%**	**32%**



MURRAY MCWILLIAMS

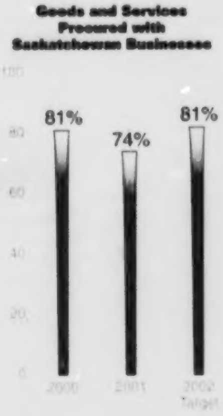
BUYER
SASKENERGY - REGINA

"Our Purchasing and Supplier Development areas work as a team focused on Saskatchewan business, and the Saskatchewan bottom line. By qualifying new suppliers and encouraging Aboriginal and Saskatchewan content in our supplier contracts, we're helping strengthen and grow businesses in our province."

Through a business component in our partnership with the Prince Albert Grand Council (PAGC), First Nations small businesses within the region will be identified and promoted.

As well, a new working group will identify and create opportunities to develop the cottage industry in Saskatchewan, and stimulate small business investment for First Nations women and youth.

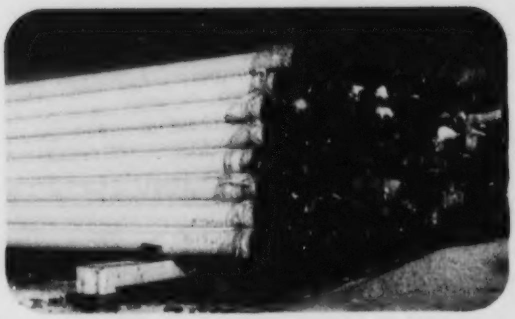
Strides are being made. However, we're looking at becoming a leader in CSR by ensuring our supplier agreements result in the maximum environmental, societal and economic benefits.



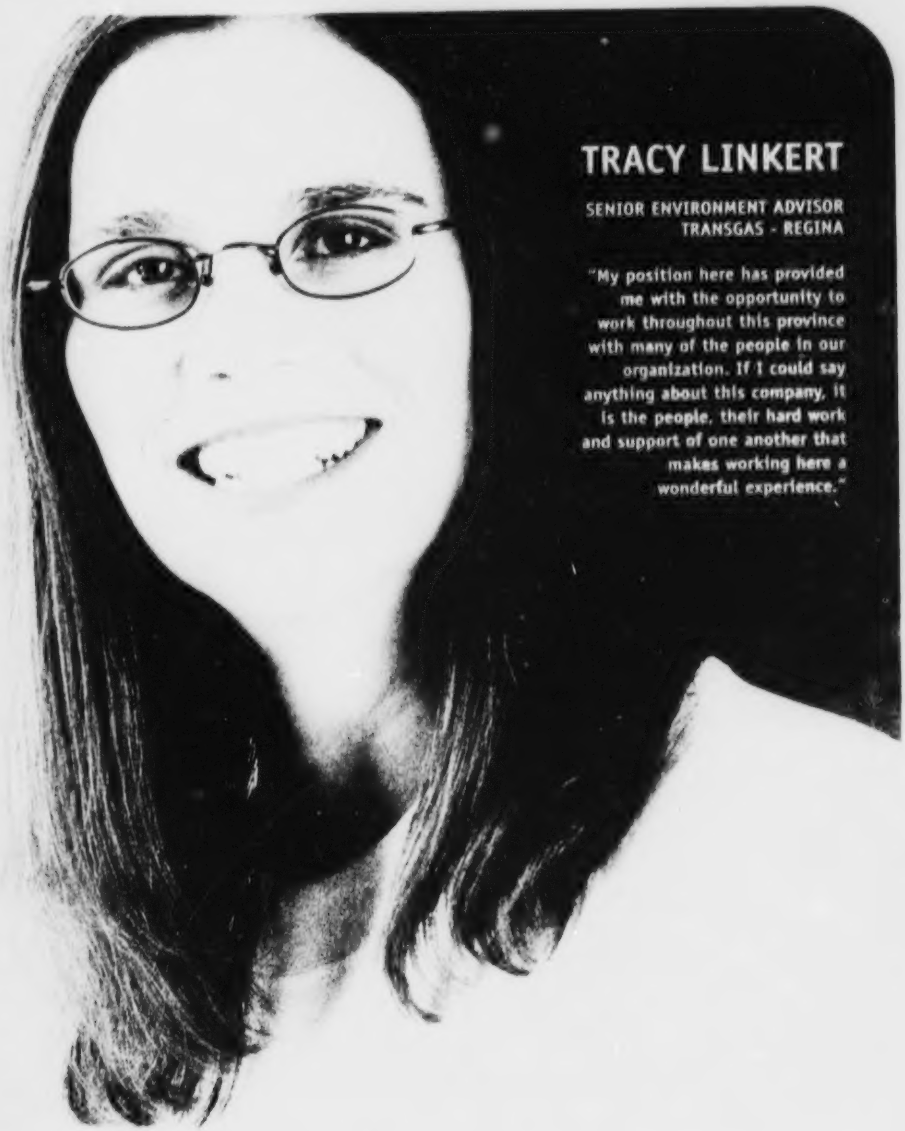
***Darwin Magazine* named PHH Arval, a SaskEnergy business partner from Mississauga, one of the Darwin Fittest 50 companies last year. PHH's internet-based information management system gives its clients and suppliers access to real-time, comprehensive information and online management capabilities.**

GROW
with us

If you would like to find out more information about becoming a supplier or contractor for SaskEnergy, please call us at (306) 777-9388.



We partner with many different businesses each year. Shaw Pipeline Protection Limited is a company based in Regina that coats our steel pipe.



TRACY LINKERT

SENIOR ENVIRONMENT ADVISOR
TRANSGAS - REGINA

"My position here has provided me with the opportunity to work throughout this province with many of the people in our organization. If I could say anything about this company, it is the people, their hard work and support of one another that makes working here a wonderful experience."

ENVIRONMENTAL STEWARDSHIP

SUSTAINING OUR WORLD

It's incredibly easy to forget how lucky we are to be surrounded by the beauty and power of nature. But over time, Canadians have realized how important it is to protect our environment and ensure a healthy world for future generations. According to an Angus Reid poll conducted last fall, environmental concerns climbed the ranks on Canadians' policy priorities agenda in 2001. At the beginning of 2001, the environment was cited by only 7% of Canadians as a very important issue. However, this figure increased dramatically to 23% by the summer.*

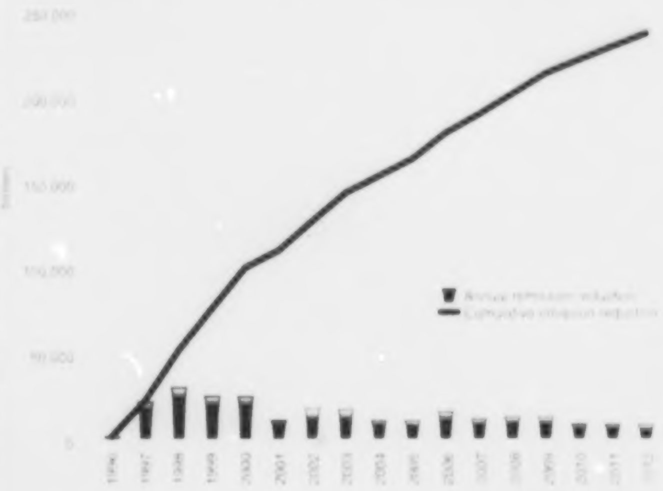
SaskEnergy hasn't waited for people to take a keen interest in the environment before doing our part. We already have a track record, rooted in concrete achievements.

**Source: Angus Reid Report, September/October 2001*

ENSURING CLEAN AIR FOR SASKATCHEWAN

Reducing SaskEnergy's greenhouse gas emissions is a critical and obvious step that we take with pride. Following the Canadian targets set by the Kyoto agreement, SaskEnergy is working toward reducing our corporate emissions by 6% of 1990 levels within the next 11 years. To date, we've almost reached the half-way mark (46%), reducing our emissions by about 109,000 tonnes.

GHG Accomplishments & Cumulative Totals



Through an innovative pilot project between SaskEnergy, SaskPower, and Flatlands Exploration Ltd., flare gas will generate enough electricity to power 20 households for one year, beginning in the spring of 2002. Flare gas, a by-product from the process of extracting and processing oil, is normally released into the atmosphere.

Beginning last fall, natural gas fleet operators in and around Regina started filling up their clean-burning vehicles at SaskEnergy's new refueling station. In the *Natural Gas Fuels* ranking of natural gas vehicle programs at North America's 100 largest gas utilities, SaskEnergy placed an impressive 11th place, with 41% of our fleet vehicles using natural gas. These vehicles reduce smog-causing emissions by half, and cut greenhouse gas emissions by 15%.

Last Spring, SaskEnergy/TransGas received the CEPA (Canadian Energy Pipelines Association) Annual Environmental Achievement Award. The MacLeod Institute at the University of Calgary selected the company for its significant net cost savings and quantitative reporting of the achievements of the Material Salvage Operations Program.

And in a major coup for the company in March, SaskEnergy/TransGas was recognized for an outstanding commitment to reducing greenhouse gas emissions. Canada's Voluntary Challenge and Registry (VCR) provided the company with an award for Leadership in the Pipelines and Natural Gas Distribution Sector category, for our commitment, action and leadership in the voluntary reduction of GHG emissions. Later in the year the VCR also recognized SaskEnergy as a Gold Champion Reporter, which is the highest achievement offered through the reporting system.

Bernie Ryma, Director of Environmental Affairs (right), accepts a VCR Leadership Award from the Honourable Ralph Goodale, Federal Minister of Natural Resources.

PROTECTING NATURE HABITATS

We also strengthened our commitment to preserving natural habitats around Saskatchewan. In 2001 SaskEnergy supported a survey of birds at the Maurice Street Sanctuary, and surveys of aquatic insects and other macro invertebrates at four of Nature Saskatchewan's six nature sanctuaries across the province (Crooked Lake Fen, Turtle Lake, Van Brienen Land, and the Rendek Elm Forest).

Although we're strengthening our focus on the environment, there are always opportunities to do more. For instance, we may compare our reporting to the work accomplished by our industry counterparts. We're also reviewing the possibility to implement an environmental policy or code for our company, and extending our education of climate change beyond employees and customers, to the people of Saskatchewan.

GROW

If you have any interesting ideas on how SaskEnergy can protect the environment, please contact our Environmental Affairs department at (306) 777-9368.

Working with Ducks Unlimited, we initiated a process to turn a part of our TransGas site in Melville into a marsh area for waterfowl and other wetland species.

WHERE DO WE GO FROM HERE?

Gone are the days when CSR was strictly defined as charitable donations or volunteerism. As this report illustrates, CSR is much more than that. It's an ongoing ethical commitment, a vision that can be incorporated in all areas of our company...from our executive team to our employees in the field.

To be socially responsible, we must broaden our perspective...set our sights on new horizons...develop new ideas and a new focus on how to promote the understanding of CSR inside and outside the company.

SaskEnergy will always remember that CSR is a commitment to sustain the economic and social development in our province by working with employees and communities to improve the quality of life in Saskatchewan.

As we chart our progress, set measurable targets, and share the results, we'll know we're up to the challenge. With your support, all of us can reach our goals and grow together.

TransGas
SaskEner

THE STRENGTH TO GROW

SASKENERGY 2001 ANNUAL REPORT

Our employees are the strength behind SaskEnergy. Through their expertise and Saskatchewan know-how, they've successfully positioned us for the future, as we become the leading natural gas company in Canada.

HARVEY FEDYK

MANAGER OF NEW BUSINESS DEVELOPMENT   TRANSGAS - REGINA

Opportunities have always flourished in the New Business Development area. Whether I was involved in system operations, a project to transfer waste heat into a greenhouse operation, or furthering SaskEnergy's position as a potential natural gas provider in Nova Scotia, I've felt innovation has always existed in this company. I am fortunate to have experienced many interesting challenges.

LINDA NOE

CUSTOMER SERVICE REPRESENTATIVE I   SASKENERGY - TISDALE

As a Customer Service Representative, I've learned first-hand the importance of providing excellent customer service. In particular last year, my efforts focused on training other employees within the Tisdale Office. Variety, challenge and change in my job is what I love most about working for SaskEnergy.

KAREN MAIN

DIVERSITY COORDINATOR   SASKENERGY - REGINA

I started with SaskEnergy in September 2000 as an Aboriginal Management Development Program trainee within the Supplier Development Department. In September of 2001, I became the Diversity Coordinator. I enjoy working with diverse groups of people, and look forward to a new year of learning and challenges that this new position offers me.

JERRY STEVENS

SERVICE TECHNICIAN I   SASKENERGY - MOOSE JAW

SaskEnergy's safety first culture is important to me. Fortunately I've helped nurture this environment by developing job observation guidelines for various field personnel, and training supervisors on making safe behaviour a constant reality in our company.

BARRY RUDD

DISTRICT OPERATIONS SUPERVISOR   TRANSGAS - MAPLE CREEK

Around the company last year I saw a number of areas instigating a change in leadership, whereby new energy has been injected into this company. New ideas and practices have made a noticeable change within SaskEnergy and TransGas, proving that the people make this company what it is today.

TransGas   SaskEnergy

102-04555

FINANCIAL AND OPERATING HIGHLIGHTS

Consolidated Financial Information

(millions of dollars)	2001	2000
Delivery Revenue	155	166
Transportation and Storage Revenue	70	74
Other	67	40
Total Revenue	292	280
Operating Expenses	246	242
Operating Income	46	38
Net Revenue (Loss) from Commodity Sales	(61)	6
Net Earnings (Loss)	(15)	44
Capital Expenditures	58	58
Dividend	-	24
Capital Assets - Net	1,019	1,010
Total Assets	1,361	1,280

Operating Statistics

	2001	2000
		(Petajoules)
Gas Sales		
Residential	29.4	34.4
Commercial	24.1	27.9
Farm	3.5	3.1
Industrial	0.7	0.6
Natural Gas Marketing Activities	98.6	60.5
TOTAL	156.3	126.5
Transmission Volumes		(Petajoules)
Domestic	187	198
Export	135	146
TOTAL	322	344
Number of Customers		
Distribution	321,504	320,340
Transmission	183	203

SASKENERGY INCORPORATED

THE BALANCED PERSPECTIVE

To successfully grow our business for the benefit of our shareholders, SaskEnergy will take a balanced approach, focusing on key areas of the company. By identifying targets, we can chart our progress and build a stronger company.

STRENGTHENING THE COMMUNITY

Objectives	Measures	2001	Target 2002	Target 2003	Target 2004	Target 2005
Demonstrate a philosophy of Corporate Social Responsibility	Benchmark to Conference Board of Canada *(year end)*	-	*top quartile*	*top quartile*	*top quartile*	*top quartile*
	% Goods/Services Sourced in Sask.	74%	81%	81%	81%	81%
	Awarded Contracts - % Aboriginal Labour Content	24%	32%	32%	32%	32%
	Greenhouse Gas Emission Reduction *(tonnes)*	10,000	17,000	16,500	10,000	10,000
	Representative Workforce	25%	30%	32%	34%	36%

INVESTING FOR GROWTH

Objectives	Measures	2001	Target 2002	Target 2003	Target 2004	Target 2005
Increase Market Growth	# New Distribution Customers	2,570	2,750	2,500	2,500	2,500
Increase Throughput on TransGas	New TGL* receipt points (TJs/day) (Terajoules/day)	61.4	50	40	35	30
	New deliveries (TJs/day)	34	50	15	15	15

COMPETITIVE RATES

Objectives	Measures	2001	Target 2002	Target 2003	Target 2004	Target 2005
Provide fair, competitive and stable rates	Achieve the lowest weighted average cost of gas among the provincial utilities	lowest	lowest	lowest	lowest	lowest
	TGL* Export Rates compared to TransCanada/Nova	< TCPL/Nova	< TCPL/Nova	< TCPL/Nova	< TCPL/Nova	< TCPL/Nova

*TGL - TransGas Limited

**SEI - SaskEnergy Incorporated

SHAREHOLDER VALUE

Objectives	Measures	2001	Target 2002	Target 2003	Target 2004	Target 2005
Provide industry comparable returns for the shareholder	Debt/Equity ratio	74 / 26	72 / 28	70 / 30	68 / 32	66 / 34
	Return on rate base - SEI**	Nil	7.5%	8.8%	8.8%	8.6%
	Return on rate base - TGL*	10.4%	9.7%	9.6%	9.5%	9.3%

CUSTOMER SERVICE EXCELLENCE

Objectives	Measures	2001	Target 2002	Target 2003	Target 2004	Target 2005
Strong relationships with customers and enhanced customer choice	% Satisfaction with Service/Reliability	79%	90%	90%	90%	90%
	% Transmission Tie Ins Completed Within 90 Days	75%	95%	95%	95%	95%

EMPLOYEE WELL-BEING

Objectives	Measures	2001	Target 2002	Target 2003	Target 2004	Target 2005
Employees will work in a safe, healthy and rewarding environment	Lost Time Frequency Rate	1.53	0	0	0	0
	Preventable Vehicle Incident Frequency Rate	2.40	0	0	0	0
	Percentage of Employees Receiving Training	86%	74%	76%	78%	80%

SAFE & RELIABLE SYSTEM

Objectives	Measures	2001	Target 2002	Target 2003	Target 2004	Target 2005
Exceed industry standards for public safety and reliability	SEI** - Unplanned outages per 1,000 customers	2.47	4.0	4.0	3.0	3.0
	TGL* - Unplanned outages per year	3	0	0	0	0
	SEI** - Contacts with pipeline per 1,000 kilometres of pipe	0.87	3.38	3.31	3.24	3.00
	TGL* - Contacts with pipeline per year	2	0	0	0	0

VISION

SaskEnergy will be Canada's leading energy company by anticipating our customers' changing needs and providing innovative and responsive solutions.

We believe our values reflect our culture, and our commitment to our vision.

VALUES

EMPLOYEE DEVELOPMENT

We have a commitment to continuous employee development.

INDIVIDUAL CONTRIBUTION

We enable individuals to be responsible and accountable for providing excellent customer service.

TRUST AND TEAMWORK

We have relationships that are based on trust, cooperation and teamwork.

SAFETY, HEALTH AND ENVIRONMENT

We provide a safe, healthy workplace and high environmental and public standards.

UNION EQUALITY

We recognize and respect our partnership with the union.

PARTNERSHIPS

We will develop partnerships that will enhance the economic well-being of Saskatchewan.

COMMUNITY INVOLVEMENT

We encourage corporate and individual involvement in community activities.

RECOGNITION

We recognize the contribution of individuals and teams.

RESPECT

We respect one another and the importance of family.

CUSTOMERS

We are committed to providing consumers and gas producers with reliable, cost-effective service.

OPEN COMMUNICATION

We have open communication, open dialogue and participatory management.

LETTER OF TRANSMITTAL

March 31, 2002

The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of SaskEnergy Incorporated for the year ended December 31, 2001, in accordance with The SaskEnergy Act. The Financial Statements are in the form approved by the Treasury Board, and have been reported on by the Corporation's auditors.

Maynard Sonntag

Maynard Sonntag
Minister of Crown Investments Corporation

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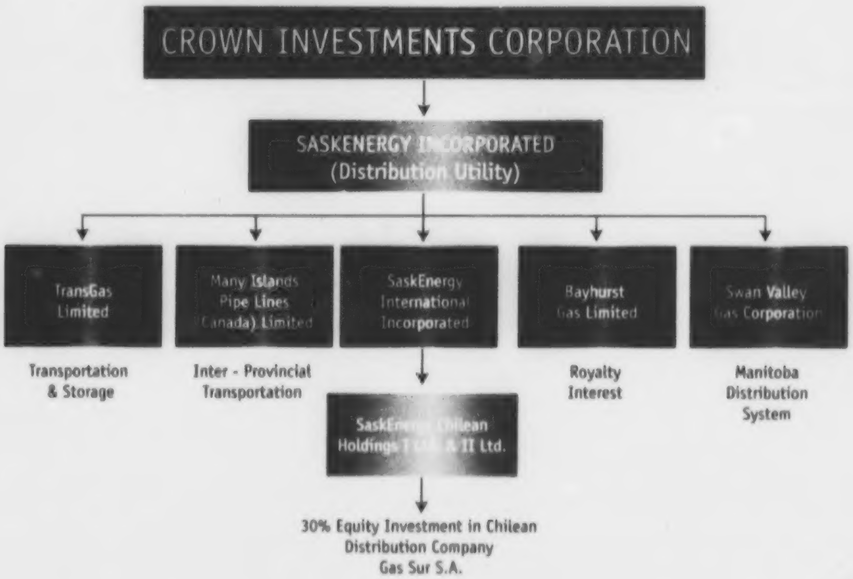
CORPORATE PROFILE

SaskEnergy Incorporated (SaskEnergy) is a Saskatchewan Crown corporation governed by the SaskEnergy Act. It is a designated subsidiary of Crown Investments Corporation of Saskatchewan (CIC). CIC is also a Crown corporation and effectively operates as the Province's holding company for commercial Crown corporations (such as SaskEnergy, SaskPower, SaskTel, etc.) and various commercial investments.

As of December 31, 2001, SaskEnergy's corporate structure consisted of SaskEnergy, the Crown corporation, plus five wholly-owned subsidiaries as follows:


CROWN INVESTMENTS CORPORATION
SASKENERGY INCORPORATED (Distribution Utility)
TransGas Limited
Transportation & Storage
Many Islands Pipe Lines (Canada) Limited
Inter - Provincial Transportation
SaskEnergy International Incorporated
SaskEnergy Chilean Holdings I Ltd. & II Ltd.
30% Equity Investment in Chilean Distribution Company Gas Sur S.A.
Bayhurst Gas Limited
Royalty Interest
Swan Valley Gas Corporation
Manitoba Distribution System

SaskEnergy's two major business units are the distribution utility and the transmission business (TransGas Limited). The distribution business (Local Distribution Company) has an exclusive legislated franchise to own and operate a natural gas distribution utility within the Province of Saskatchewan. Cabinet regulates its rates, on the advice of the Saskatchewan Rate Review Panel.

TransGas Limited (TransGas) has the exclusive legislated franchise to own and operate the natural gas transmission company within the Province of Saskatchewan. It also owns and operates a non-regulated natural gas storage business that is integral to the transmission pipeline system. TransGas' transmission rates are subject to Cabinet approval.

Many Islands Pipe Lines (Canada) Limited (MIPL) owns 11 transmission pipeline interconnections to Alberta, two into the United States, and one into Manitoba. The National Energy Board regulates MIPL.

Bayhurst Gas Limited owns a gross overriding royalty on approximately 500 properties in Saskatchewan and Alberta.

Swan Valley Gas Corporation (SVGC), formed in 2000, owns a natural gas distribution utility in the Swan Valley area of Manitoba. The Manitoba Public Utilities Board regulates SVGC.

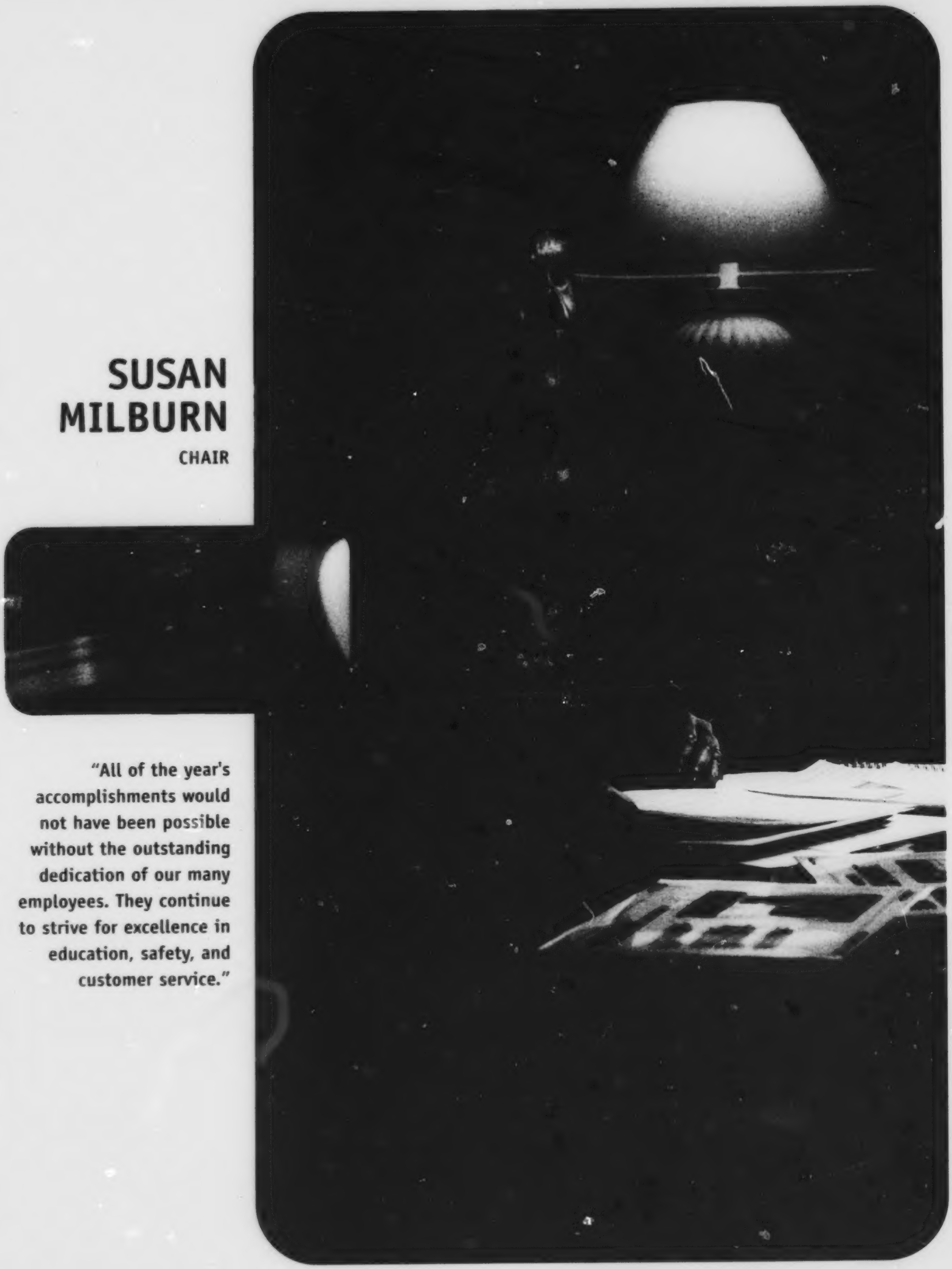
SaskEnergy International (SEII) was created in 1996 to market SaskEnergy's world-class expertise and investigate opportunities to invest in emerging natural gas distribution, transmission and storage systems.

SEII's primary focus is Latin America, one of the fastest growing natural gas markets in the world. In addition to its consulting activities, SEII holds a 30 per cent equity investment in Gas Sur S.A., a natural gas distribution company in Chile.

SUSAN MILBURN

CHAIR

"All of the year's accomplishments would not have been possible without the outstanding dedication of our many employees. They continue to strive for excellence in education, safety, and customer service."



CHAIR'S MESSAGE

The role of the Board of Directors is to provide stewardship and oversight on behalf of the shareholders and to provide guidance and direction to the strategic planning process. The corporation's short and long-term direction is critical not only to its success, but also to its survival.

Despite some challenging dynamics in the North American natural gas industry, we are pleased to report that SaskEnergy had a successful year. Many uncontrollable factors affect the company's operations; however companies with "best practice" operations successfully navigate through these uncontrollable events. For example, the price of natural gas, determined now by North American demand and supply, was more volatile than ever before, with monthly prices ranging from $2.50/**Gigajoule(GJ)** to $12.91/GJ. This price spread of over 400% gave natural gas the distinction of being the most volatile commodity traded in 2001.

Our goal is to provide stable rates to our customers, who depend on SaskEnergy to provide their heating requirements. Exceptional management by the gas supply team at SaskEnergy allowed the corporation to deliver stable rates, even in the midst of volatile commodity prices. While our customers did see rates move higher, they were insulated from the extremely high prices paid by our neighbours in Alberta in the winter of 2000-2001, and indeed by consumers across North America.

Weather also has a significant impact on the operations of SaskEnergy, and as we all know, 2001 was much warmer than usual. In more temperate weather, customers require less natural gas to heat their homes and businesses, which has a substantive financial impact on SaskEnergy. Profits in the distribution utility were down approximately $12 million from the budget directly due to weather, which was 6% warmer than the 30-year average for 2001.

Our Board was extremely pleased to receive shareholder approval to proceed with some modest growth investments outside of our provincial borders. One of our mandates is to ensure that the company is a growing, vibrant entity, making a major contribution to the provincial economy. We must therefore continue to focus on providing new revenue opportunities for the corporation. SaskEnergy already provides service to 92% of the province's communities, so growth possibilities are limited. While we continue to try and connect the remaining 8%, distance and geography are ongoing challenges. The international projects we have entered into use our existing expertise, and complement our core competencies. They are business opportunities directly related to what we do best, and in our view, are low-risk projects.

In 2001, the company also introduced several measures to assist customers in reducing their energy bills, and invited customers to participate in an internet-based energy audit. We feel strongly that SaskEnergy must partner with its customers to keep their energy costs as low as possible.

All of the year's accomplishments would not have been possible without the outstanding dedication of our many employees. They continue to strive for excellence in education, safety, and customer service. Our Customer Service Representatives fielded an average of more than 2,700 calls per day during the peak winter months, helping our customers understand the dynamics of a fast moving natural gas market.

The members of the Board of Directors are a dedicated, knowledgeable group of people, whose sole interest is the success of SaskEnergy and its service to the people of Saskatchewan.

I am very optimistic and enthusiastic about the prospects for SaskEnergy going forward. I am confident that with the continued dedication of our employees, and diligence of the Board of Directors, 2002 will be another successful year.

We are proud to serve the province in our capacity on the Board at SaskEnergy, and pledge to continue making sound business decisions to the benefit of the corporation.

PRESIDENT'S MESSAGE

The mere mention of the year 2001 will trigger powerful and troubling images for decades to come.

As North Americans collectively struggle to understand and move forward from the terrifying events of September 11, we realize our lives will change in ways we have only begun to comprehend. The long-term implications will be very pervasive.

The oil and gas industry, which was already changing profoundly in 2001 from widespread merger and acquisition activity, will experience further fundamental transformation as the United States prioritizes the dual imperatives of security of supply and the long-term demand for Northern gas. The events of September 11 gave a renewed impetus toward the further development of existing and new oil and gas reserves.

Accordingly, the upcoming years will provide an opportunity and a challenge to Canadian energy companies. Those well positioned to capitalize on these fundamental changes may experience a period of unrivaled expansion and growth, with a magnitude that may surprise even those familiar with the cyclical nature of our business.

But the lingering question may be, "How many Canadian companies will be left to compete for these opportunities?" Rampant consolidation occurred within the oil and natural gas sector, with more than a dozen major mergers and acquisitions. A familiar

RON CLARK

PRESIDENT

"Our company benchmarks well against any natural gas utility, whether it be in operating performance or Corporate Social Responsibility."

pattern was the acquisition of Canadian companies by large U.S.-based corporations. For example:

- Burlington Resources of Houston purchased Canadian Hunter Exploration of Calgary;
- Devon Energy of Oklahoma City acquired Anderson Exploration of Calgary;
- Conoco of Houston bought Gulf Canada Resources of Calgary; and
- Duke Energy of Charlotte purchased Westcoast of Vancouver.

"SaskEnergy employs some of the most talented natural gas employees anywhere in the world."

Rather than following the old method of buying land and developing reserves, these large global players adapted to the new reality by buying successful, well-positioned companies. The acquired assets are then integrated with existing operations, eliminating duplication and driving out costs.

As decision-making, influence, and jobs start shifting from the heart of the industry in Calgary to boardrooms in the Southern United States, many of the remaining Canadian companies are considering where they will fit in the energy world of the upcoming decade.

The theme of SaskEnergy's 2001 Annual Report is "The Strength to Grow". Our company is not daunted by the new realities of the natural gas business. Conversely, we see unparalleled opportunities, some of which we plan to pursue on our own, and others by seeking the capacity of strategic partners. We're confident because our strength as a niche player is vested in the greatest competitive advantage of all - our people.

Consider the evidence. We've operated one of the longest distribution networks in North America for 45 years – safely and reliably, with some of the lowest costs. We've delivered the lowest provincial rates in Canada for four of the last five years. And our company benchmarks well against any natural gas utility, whether it be in operating performance or Corporate Social Responsibility. It will come as no surprise to anyone who really takes a rigorous look that our success comes from our uniquely dedicated employees.

Opposite page: President Ron Clark talks with service technician Ray Buggera. Pictured in the background is service technician Ernie Rose.

But while we understand our strengths, we cannot and will not compromise on the second part of that success equation – "Growth".

The Saskatchewan natural gas distribution market is essentially saturated with some 92% of the province's potential customers served. While our employees continue to go above and beyond the call of duty to ensure we expand access to natural gas and remain a low-cost operator, the long-term prospect of staying strictly to our core provincial operations presents significant challenges.

"We're confident because our strength as a niche player is vested in the greatest competitive advantage of all - our people."

Without growth, our customer base will be saddled with the ever-increasing costs of an aging natural gas system. Our long-term ability to retain jobs and levels of return would similarly be impacted. No customer or shareholder should feel comfortable with that scenario, and neither do we. Growth is not a possible option – indeed, it is the only responsible route.

That is why our plan is to expand through carefully-assessed opportunities that utilize our expertise, with partners who want to work with us, so that we can grow together. Late in 2001, we were fortunate to realize two new opportunities that will help us achieve this vision.

First, we are expanding our successful investment in Gas Sur S.A., through purchasing an additional 15% of this Chilean natural gas company from TransCanada Pipelines. Second, we will invest up to $19 million Canadian in IGASAMEX, a well-respected and growing natural gas company serving industrial customers in Mexico.

Our business model projects that these investments will generate up to $100 million in earnings over the next 20 years for the people of Saskatchewan. Our investments are also projected to have a terminal value of an additional $100 million by year 2020, for a cumulative total of some $200 million.

We have every reason to believe that these ventures will be successful.

SaskEnergy employs some of the most talented natural gas employees anywhere in the world. Our core competencies in the areas of natural gas distribution, transmission and storage give us a great competitive advantage. But until recently, this skill set has not been greatly exposed outside of our province. With the opportunity to spread our wings and profile our expertise, we can set a new tone for the future of our company. With this entrepreneurial spirit, we will attract even more interest from partners who share our interest about building our businesses together and just as importantly, building our province.

This future is one which I and all our 1,000 employees plan to pursue with great vigour.

A year as significant as 2001 would not be complete without recognition of our employees, not only for the work they do on the job but also for their commitment to our communities. The events of September 11 remind us of life's fragility, but also of the tremendous good that can be achieved together and of the selfless acts of caring that are an indomitable part of the human spirit.

"Our investments are also projected to have a terminal value of an additional $100 million by year 2020, for a cumulative total of some $200 million."

In 2001, SaskEnergy financially supported 487 community events across Saskatchewan, while nearly 50% of our employees volunteered their time and shared their energy in their communities.

Some of the happiest news I receive is when an employee tells me how special it was to be involved with the United Way, the Food Bank or Super Saturdays, a special partnership we have with the University of Saskatchewan to encourage Aboriginal children to pursue mathematics and science careers. If work is about building bigger and better companies, than surely it must also be about building better and healthier communities, where everyone feels valued...and all have a chance to succeed. This is the type of world that we all want to live in, and the type of dream that we cannot let fade in the aftermath of September 11.

Healthy corporations can play a profound role in building healthy communities. Healthy corporations are most frequently strong, nimble and growing – three qualities I am proud to say I see every day at SaskEnergy.

I wish you all the best for 2002.

Yours Sincerely,

R.S. Clark

Ronald S. Clark
President and Chief Executive Officer

LINDA LAWRENCE

MARKETING SUPERVISOR
SASKENERGY - SASKATOON

"I enjoy my work in Marketing & Sales - working with employees, SaskEnergy Network Members and customers is very rewarding. In 2001 I helped introduce prime rate loans, develop new on-line services and work with many dealers on their business growth and development. It's all about meeting our customers' needs with choices, options, and quality service - a challenge I feel all of us at SaskEnergy are working hard to meet."

GROWING

HIGHLIGHTS

$95 million investment to expand and improve SaskEnergy's distribution and transmission networks in Saskatchewan in 2001 and 2002, support industry and commercial development, and help consumers reduce energy costs.

2,570 new Saskatchewan customers connected.

10 rural, urban and First Nations communities receive additional natural gas service.

469 customers connected or committed to natural gas service by Swan Valley Gas Corporation.

More than **$8.8 million** in prime rate loans approved for high efficiency appliances for more than 2,700 customers.

Lowest provincial natural gas rates provided for four of the past five years.

More than **4,400** new customers connected by Gas Sur S.A., a natural gas distribution company in Chile.

Additional **$5.2 million** incremental investment in Gas Sur S.A., bringing SaskEnergy's total investment to 30%.

SASKENERGY'S GROWTH PICTURE

McDonald's founder Ray Kroc once asked, "Are you green and growing or ripe and rotting?" This may seem like a simple question, with every company anxious to categorize themselves as progressive, modern-thinkers with the plan and passion to succeed.

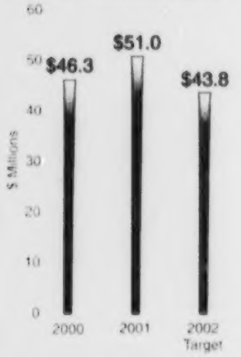
But there's a stark difference between believing you're a growing company, and being one.

Take SaskEnergy, for instance. Operating in a ripe market, SaskEnergy provides service to 92% of Saskatchewan communities, with more than 321,000 homes, farms and businesses receiving reliable, safe natural gas service year round. But this hasn't stopped us from pursuing realistic opportunities to stretch our operations to every corner of the province.

Through a $22.7 million capital expenditure project last year, natural gas service was extended to residential customers in 10 communities, 19 agricultural projects (hog, dairy, poultry and grain terminals), and seven expanded oilfield operations. Oilfield customer growth is one of the strongest areas, reducing these facilities' energy costs by about $250,000 annually.

A targeted $95 million investment over 2001 and 2002 will focus on a number of key areas: supporting natural gas, oil industry and commercial industrial development; reducing energy costs for residential and agricultural customers; and improving our distribution and transmission networks. We're proud of this commitment.

Elk Ridge Resort in Waskesiu was one of SaskEnergy's new commercial customers. According to resort owner Arne Petersen, "I'm extremely happy with the benefits natural gas has brought my business development. My operating costs have dropped significantly...I don't have to think about monitoring and filling propane tanks."



SaskEnergy/TransGas net capital investment in Saskatchewan

EXPANDING OUR HORIZONS

While increasing our customer numbers at home is a priority that speaks to the core of our business, SaskEnergy knows this alone will not grow the company, provide competitive rates, and maintain employment levels. Essentially, if we don't pursue new growth opportunities, the future strength of this company will be jeopardized. To realize our growth strategy, SaskEnergy is targeting a $5 million increase in net income over the next five years through investments outside our regulated operations.

Various pork projects around the province received natural gas service in 2001. Big Sky Farms Incorporated, near Yorkton, opened its Rama project in the summer, producing about 120,000 hogs per year. Operational unit costs are about $30 million and consist of four nursery barns, sow breeders, finishing barns and a feed mill.

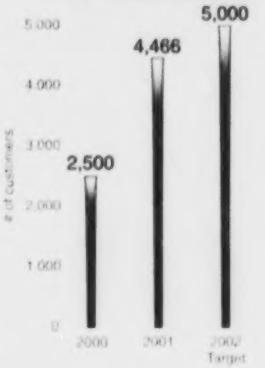
A key step in that strategy is a $5.2 million incremental investment in our Chilean natural gas distribution company, Gas Sur S.A. The result - a growing asset and increased enterprise value for SaskEnergy. According to Patrick Parisot, Canada's Ambassador to Chile, "SaskEnergy's incremental investment in Chile is indicative of the successes many Canadian-based businesses and investors have already realized by investing in the most advanced, economically-stable country in South America."

In 1998, SaskEnergy made an initial 15% equity investment in Gas Sur S.A., which serves a market area of more than one million people - including the cities of Concepción and Talcahuano. Since then, our international division has successfully assisted with geographic information systems, marketing, measurement, and distribution engineering.

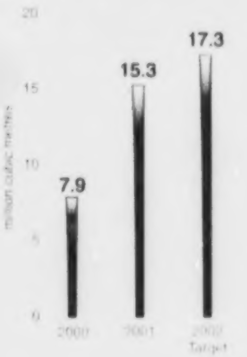
The success of Gas Sur S.A. is self-evident. Customer connections almost doubled between 2000 and 2001, while the company's sales volumes increased by 94%. Again, customer connections and sales volumes are expected to increase in 2002, proving this is a worthwhile investment.

Back on Canadian soil, 2001 marked the first full year of operation for the Swan Valley Gas Corporation, a $13.6 million infrastructure and delivery initiative in partnership between SaskEnergy and three levels of government. Natural gas will be delivered to a market of about 1,500 residential, industrial and commercial customers in Benito, Minitonas and Swan River, Manitoba. Distribution pipelines were completed in late summer, followed by the official opening of the Swan Valley Gas office in October.

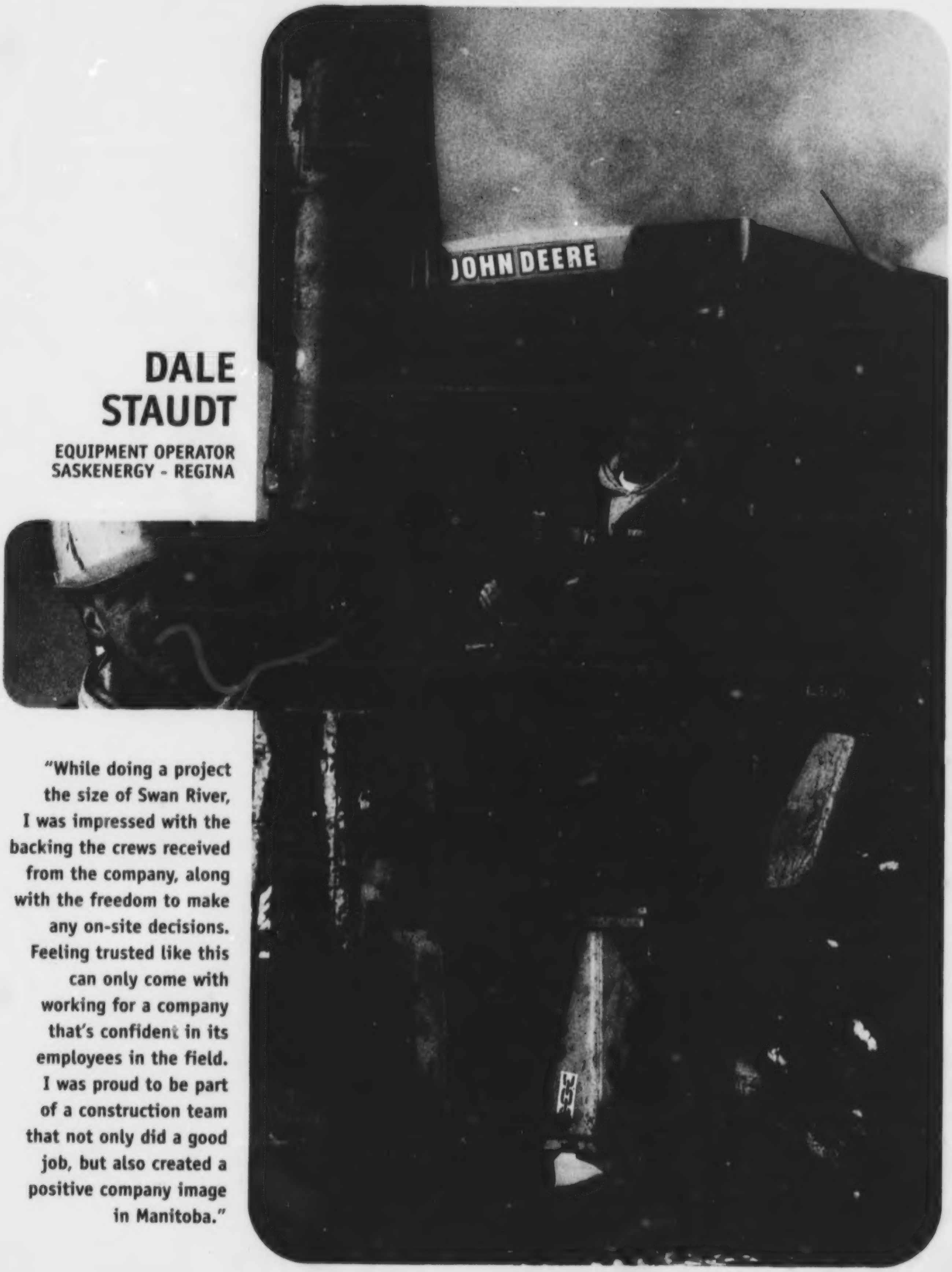
Gas Sur S.A.
Customer Additions



Gas Sur S.A. Sales Volumes
(In Millions M^3)



Since its inception, Gas Sur S.A. has connected more than 300 commercial customers including bakeries, restaurants and other retail organizations. Work also progresses on the industrial side, as Gas Sur S.A. works diligently to connect hospitals, universities, asphalt plants and other companies. The company is projected to be profitable in 2002.



DALE STAUDT

EQUIPMENT OPERATOR
SASKENERGY - REGINA

"While doing a project the size of Swan River, I was impressed with the backing the crews received from the company, along with the freedom to make any on-site decisions. Feeling trusted like this can only come with working for a company that's confident in its employees in the field. I was proud to be part of a construction team that not only did a good job, but also created a positive company image in Manitoba."

THE CUSTOMER SERVICE CONNECTION

The appetite for growth can only be nourished by a commitment to service. For SaskEnergy, connecting with our customers is an integral part of the growth picture. This means recognizing that our customers expect cost-effective solutions that help them consume less energy and manage our resources for future generations.

According to Angus Reid, half of Canadians perceive the oil and gas sector to be at least somewhat concerned about protecting the environment. In the Manitoba/Saskatchewan region, 61% of respondents say the oil and gas industry is very or somewhat concerned.*

Under the Provincial Government's Greenprint for Energy Conservation, SaskEnergy introduced a Prime Rate Loans Program to help customers purchase high efficiency furnaces, water heaters, clothes dryers and fireplaces. Loans of up to $10,000 at bank prime can be approved through SaskEnergy's Network of 116 independent retailers across the province – businesses that prove the partnerships between Crown corporations and private business work for Saskatchewan.

Our relationship with the Network helps customers ensure all aspects of their home heating systems are running smoothly and efficiently. More than 3,000 customers received the SaskEnergy Check-Ups and Network Home Heating Tune-Ups in about 260 communities.

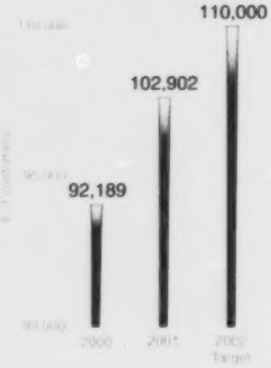
For those interested in the energy efficiency of their homes, late last fall SaskEnergy and SaskPower launched the province's first interactive home energy audit, **energy***check*. By answering a quick and easy on-line questionnaire about everything from the age of appliances to the quality of home insulation, customers receive a personalized list of useful options to protect

In conjunction with Saskatchewan Social Services, SaskEnergy introduced a Deferred Payment Plan to help clients with unpaid arrears, and educate them about energy efficiency. The Provincial Ombudsman said that our employees' approach to "working with customers has been very effective for SaskEnergy offices throughout Saskatchewan."

"Prime rate loans have been very positive for our customers and our business," say Vic and Eleanor Tochor of Tux Plumbing & Heating in Esterhazy. "We were pleased to work with Harold Esslinger to install a more energy efficient furnace which means saving energy and money."

Source: Angus Reid Report, September/October 2001 the environment and save on their monthly heating bills. More than 6,000 visits were completed within almost three months, proving this is a worthwhile tool for many Saskatchewan homeowners.

Growth in Equalized Payments



Reliable and efficient home heating can lower energy bills, but payment plans can help manage existing costs. SaskEnergy's Equalized Payment Plan was a popular choice for 10,000 new customers who want to spread their monthly heating costs evenly over 12 months and avoid paying higher winter bills.

STABLE RATES A PRIORITY

Building a long-term relationship with customers was even more critical last year – a volatile year for the natural gas market.

Cold weather and a burgeoning economy propelled natural gas prices to previously unimaginable heights, hitting more than $12/**Gigajoule (GJ)** on the spot market in January. SaskEnergy's price management program prevented these wild surges from adversely impacting customers, as the corporation's rate for last winter was $4.52/GJ; less than half of both the market price and prevailing rate in other jurisdictions.

When these high prices forced conservation and the shut-down of some businesses across North America, prices began to ease and then dropped more precipitously with the start of the economic slowdown.

The impact of cold weather, high forward prices in spring, and undercharging customers through the winter, led to a request for a 42% residential rate increase in June. However, SaskEnergy ultimately absorbed the amount in its Gas Cost Variance Account, lowering the increase to 24%. This resulted in an approximate $200 saving per residential customer. When prices eased further, SaskEnergy filed a rate application and received a 10% rate decrease effective November 1, reducing bills by about $112 annually for average residential customers. For the fourth time in the last five years, SaskEnergy delivered the lowest provincial rates in Canada.

FUTURE OUTLOOK

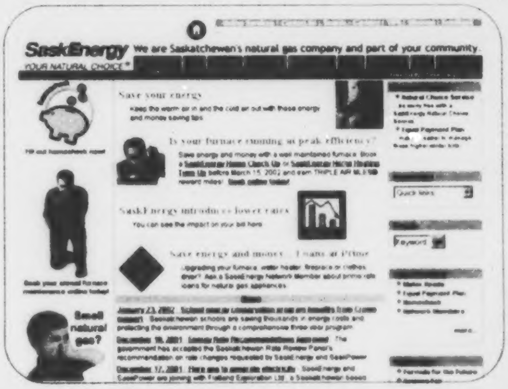
Long-term price impacts are difficult to predict. While record drilling, new supply, reduced demand and the economic slowdown will likely dampen pricing for early 2002, renewed price volatility may occur by the spring.

Natural gas remains one of most environmentally-friendly and cost-effective fuels available. Continued industrial growth through hog barns and poultry operations in 2002 is likely to drive the lion's share of new load growth, though the corporation continues to work with unserved resort and Northern communities. One area of focus is La Ronge, which due to its 140 kilometre distance from the existing pipeline infrastructure, is a very challenging project. However, we are optimistic that gas will ultimately reach the 1,800 residents and businesses of that community and others along the #2 highway corridor north of Montréal Lake.

Complementary to growth initiatives outside Saskatchewan, SaskEnergy received approval to invest up to $19 million in IGASAMEX, a Mexican natural gas midstream company that serves industrial customers in Mexico. With a solid market niche, a non-regulated rate of return and a growing group of customers including Colgate/Palmolive and Lee Jeans, IGASAMEX's future is bright.

We also recently signed memorandums of understanding to investigate the feasibility of developing a natural gas distribution system in the Halifax Regional Municipality and the town of Amherst in Nova Scotia. If an investment is financially viable, SaskEnergy projects up to 32,000 new customers could be served over the next 10 years.

The bottom line is simple. Ongoing, profitable growth is not only desirable, but also essential. Essential for making SaskEnergy strong and protecting jobs; essential for extending services and keeping rates low; and essential for our customers and stakeholders.


SaskEnergy We are Saskatchewan's natural gas company and part of your community.

YOUR NATURAL CHOICE®

Save your energy

Keep the warm air in and the cold air out with these energy and money saving tips

Is your furnace running at peak efficiency?

SaskEnergy introduces lower rates

You can see the impact on your bill here

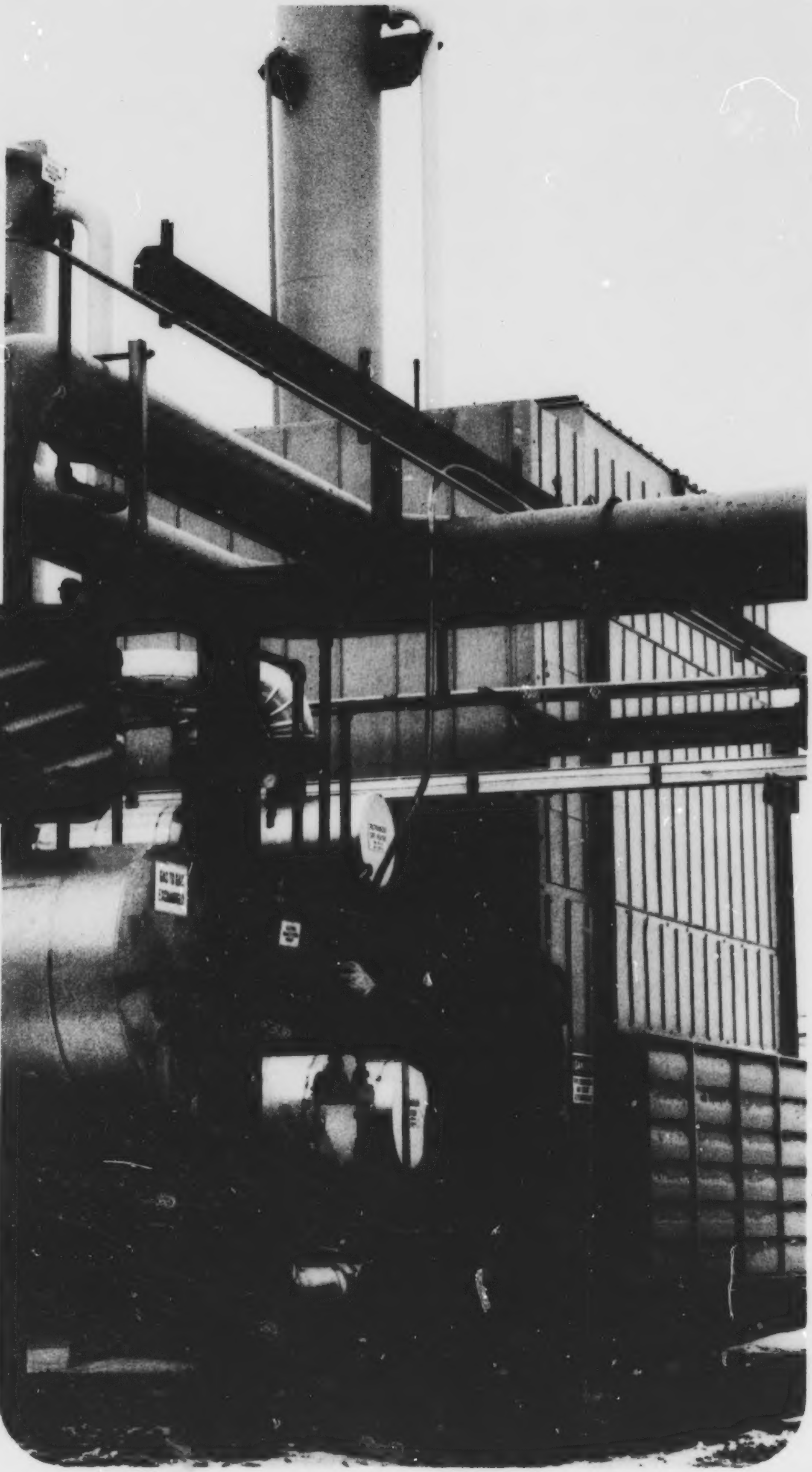
Save energy and money ... Loans at Prime

Improvements in our corporate website helped us create a fresh face on our site, and provide customers with useful, interactive tools whenever they need them. More than 2,600 meter reads were submitted, with 3,100 visits to our "energy tips" section, and 11,600 visits to our Network Member information. Sign-ups for our Equalized Payment Option were also introduced on-line last summer.

DALE CLARKSON

DISTRICT OPERATIONS SUPERVISOR
TRANSGAS - COLEVILLE

"Something new happens almost every day in my area of TransGas, which makes this a very exciting atmosphere to work in. In one day you may have a few units running in the district, to almost all the units online, flowing gas to fill markets both in the province and to export contracts outside the province. Without the commitment from all the staff and the company, we would not be in the position we are today to challenge the future."



THRIVING

HIGHLIGHTS

A record **1,366** natural gas wells drilled and cased in Saskatchewan, up from 1,175 in 2000.

1.1% increase in Saskatchewan natural gas production since 2000.

70% increase in gas well starts in Kindersley and Lloydminster areas.

320 **Petajoules (PJs)** of gas moved on TransGas system.

14 new receipt connections, adding 61,429 **Gigajoules (GJs)** per day of capacity.

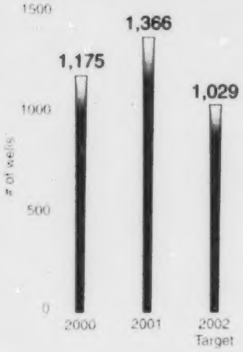
$25 million in profit generated through sale of "cushion gas" at storage fields in Pierceland/Mannville.

1,216 kilometers of transmission pipelines assessed for structural integrity.

1,800 landowner and public awareness visitations held, with the theme "Call Before You Dig".

GROWTH FOR TRANSGAS MEANS GROWTH FOR SASKATCHEWAN

Natural gas drilling in Saskatchewan

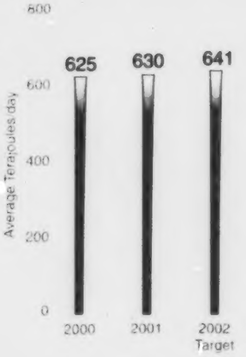


Nine percent of something may not sound like a lot. But in Saskatchewan it's absolutely critical – considering the oil and gas industry comprises 9% of our provincial economy and employs 21,500 people. And when you look to players within that industry, TransGas comes into focus front and centre.

As Saskatchewan's natural gas transmission and storage company, TransGas experienced another extraordinarily busy year, driven by continuing high historical natural gas prices which kept drilling at record levels. Although drilling occurred throughout the province, most activity was found in the well-developed Swift Current/Hatton area of southwest Saskatchewan. Kindersley and Lloydminster areas are also attracting interest, with a 70% jump in well starts.

MAJOR PROJECTS DRIVE GROWTH

Natural gas production in Saskatchewan



Natural gas production receipts rose for the third year, averaging about 630 **Terajoules (TJ)**/day in 2001, up from 625 TJ/day in 2000. Almost 15 new connections created an additional 61.4 TJ of receipt capacity on the TransGas system. Deliveries declined by about 7% from 2000, mainly due to warmer weather.

Two provincial electrical generation projects – SaskPower's expansion of the Queen Elizabeth (QE) Power Station and the new joint venture at the Potash Corporation of Saskatchewan's mine near Cory – are major drivers of future natural gas transportation demand. As well, Consumer's Co-operative Refineries Ltd. at Regina is undertaking a major expansion. These three major initiatives will add almost 90 TJ/day of firm contract demand to the TransGas system in 2002.

SaskPower's Queen Elizabeth Station in Saskatoon was one of three major TransGas customers to come on stream.

CONNECTING TO VALUE SUPPORTS ROBUST INDUSTRY

Higher prices are an obvious factor in the flurry of industry activity. But TransGas has also implemented rates, policies and technology advancements to support that growth.

In 2002, TransGas will enter the third year of a transportation and storage rate freeze, the result of internal cost containment, new volumes and lower interest rates. A stable cost of doing business has been matched with continuing customer service enhancements, which reached a new milestone in 2001 with the Connection to Value (CtoV) project.

Through the efforts of TransGas employees, CtoV helped the company leapfrog from monthly business practices to daily business information and customer access. Some of the specific enhancements include:

- Daily shipper account balancing;
- Daily flow nomination by meter, instead of contract;
- Producer access to nomination information at their meter;
- Customer access to their current storage inventory, injection and withdrawal rights;
- 24 new meter sites with remote read capability, as well as the upgrade of remote read equipment at another 32 sites; and
- Daily measurement information by 8:00 a.m.

CtoV's internet and web technologies also simplify business processes and improve customer access to more information. Phase One of the project will be completed in Spring 2002, when TransGas will offer daily nominating by the web rather than paper - moving the company even closer to its goal of offering real-time information.

Dave Hebert of Nexen worked closely with the CtoV Team last year, saying, "The Connection to Value project is a dramatic change and a tremendous step forward, and will result in a much better business environment for all TransGas customers...TransGas is working hard and listening to its customers to ensure a smooth transition."

TransGas managed business issues cooperatively through the Customer Dialogue Group, with representation from 18 major customers and industry associations. Replacing the traditional adversarial relationship with a spirit of partnership allows TransGas and its customers to grow stronger and become more profitable.

KATHY STEPONCHEV

TRANSPORT ADMINISTRATOR
TRANSGAS - REGINA

"This is a 'People First' kind of company, focusing on our customers and employees. As various TransGas units blended to become Customer Services last year, I was involved in the Connection to Value Team, where I helped develop, test and implement many new web applications to help TransGas evolve into a more streamlined, customer-focused business."

The following individuals were also centrally involved in the Connection to Value Project: Dean Reeve, Daryl Posehn, Dennis Orb, Kathy Milgaard, Marilyn Wappel, Vern Gorr, Randy Greggains, Kathy Peter, Patsy Gilchrist, Phil Sandham, Randy Hahn, Dave Wark, Jennifer Tallentire, and Brent Schick.

STORAGE FIELD RATIONALIZATION BENEFITS BOTTOM LINE, CUSTOMERS

TransGas' revenue was bolstered by the sale of natural gas from a storage field (in the Pierceland/Mannville area) no longer in commercial operation.

TransGas in turn used this revenue to pay a dividend to SaskEnergy. SaskEnergy was therefore afforded additional financial capability to absorb the balance in the Gas Cost Variance Account (see page 39).

SAFETY A FUNDAMENTAL FOCUS

Every year, TransGas assesses the structural integrity of its transmission pipelines using the "smart pigging" process. This computer sensor travels down a pipeline, collects information about the pipeline's condition and instantly reports the details. In-Line Inspections (ILI) were completed on pipelines in the Regina and Saskatoon areas including an interprovincial 16" pipeline running from Loomis to Herbert and a 10" pipeline from Coleville to Brock. The integrity program also included 31 investigative digs to reconfirm the accuracy of the ILI tool, a process that detected minor repairs on the system were necessary.

The TransGas pipeline integrity program has attracted national industry attention for its progressive and systematic approach. No major incidents related to system integrity occurred in 2001 and the program will be further refined through the introduction of a comprehensive risk assessment analysis in 2002.

Together with these efforts are those encouraging the public's awareness of pipeline locations. Some 1,300 landowners, 200 First Nations, and 300 individuals participated in open houses across rural Saskatchewan to learn the importance of calling before construction work begins. A video was also developed to explain what First Responders should do if a natural gas fire occurs.

In April, an in-line inspection tool was inserted into a section of pipeline from Loomis to Herbert. The tool reports on the condition of the pipeline.

TECHNOLOGY PLAYS KEY ROLE

Donna Herchuk, a Dispatcher in Pipeline Control and Planning, uses SCADA to monitor TransGas' pipelines.

Technological advances were critical in containing operational, safety and maintenance costs. TransGas' 13,500 kilometres of high-pressure transmission pipeline is centrally monitored and controlled by Gas Control in Regina through the corporation's Supervisory Control and Data Acquisition (SCADA) system. SCADA monitoring extends to 22 compressor stations, 10 storage facilities, as well as major town border stations and customer metering points.

The introduction of wireless data monitoring at 22 remote sites generated annual savings of $160,000. Using inexpensive and diverse communications paths, information is relayed more cost-effectively to Gas Control.

A similar philosophy monitors about 860 data points on SaskEnergy's lower-pressure distribution system. With customers' cooperation, small devices collecting information on pipeline integrity are installed outside homes. Test leads are connected into distribution pipe and wired into the phone line. Readings are forwarded via a 1-800 number to a host computer, which relays the information to the SaskEnergy database. This allows resources in manual monitoring to be redirected to control points requiring repair, generating an annual saving of $140,000.

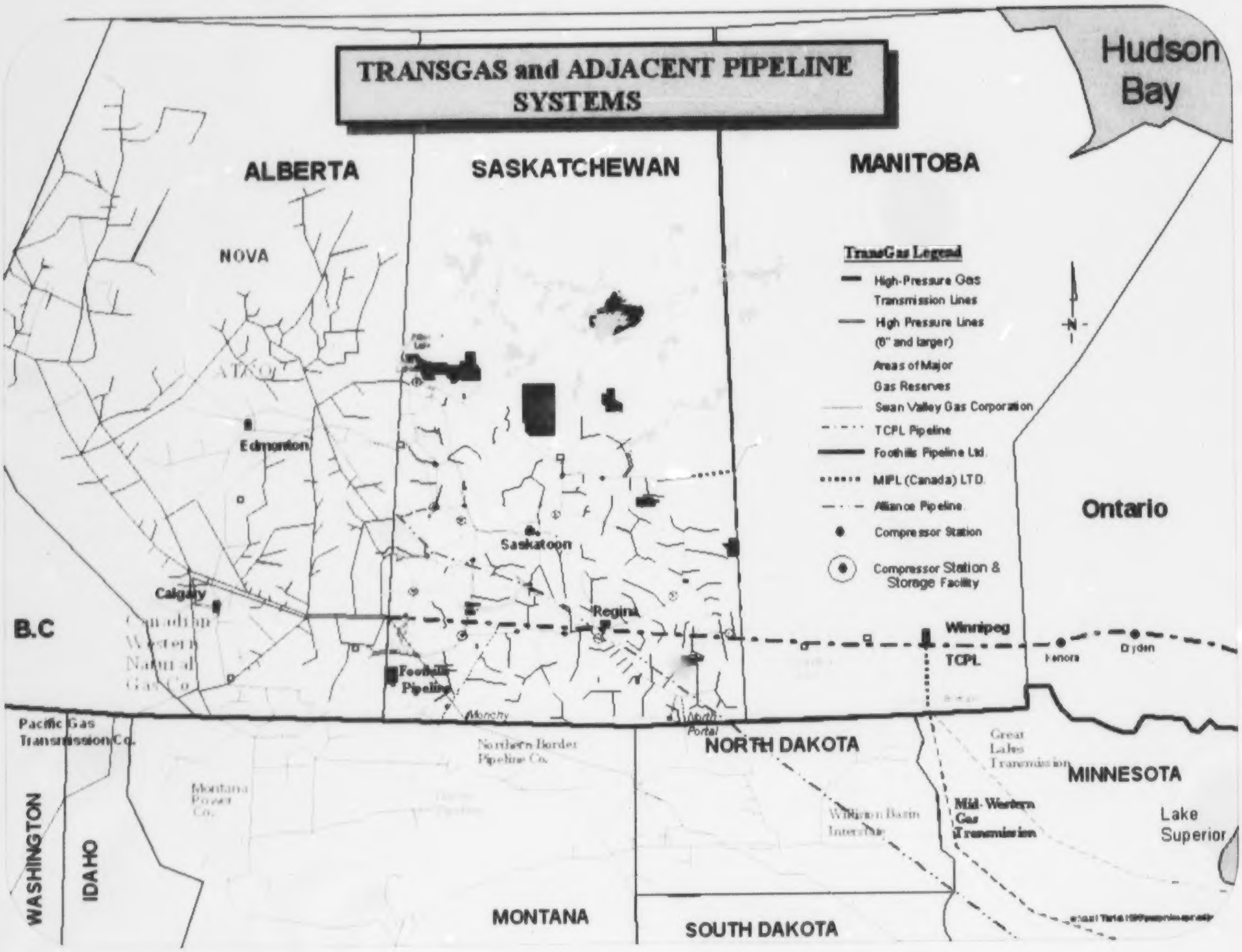
Relocating TransGas' compressor from Mannville to Pierceland allowed the company to optimize natural gas production from the Beacon Hill area. The installation of a new unit also improved production techniques.

FUTURE OUTLOOK

TransGas' pipeline and storage assets are critical as SaskEnergy faces an increasingly competitive environment. The company will investigate business solutions and partnerships with like-minded organizations that also seek to realize efficiencies and grow the scale of their organizations. As a low-cost operator with competitive rates and a proven safety record, TransGas will remain central to SaskEnergy's growth strategy.

Plans for 2002 include a 7% reduction to storage rates for customers maintaining minimum storage levels. Further discussions with Customer Dialogue will determine the potential business movement of storage service to the TransGas Energy Pool, new term rate and monthly contract options, as well as options for transfers and diversions.

Future gas prices are a significant unknown. The next American economic recovery will put a major push on both the supply and price of natural gas, and the impact will be felt in Saskatchewan. This dictates a bright and healthy future for TransGas.



TRANSGAS and ADJACENT PIPELINE SYSTEMS

Hudson Bay
ALBERTA
SASKATCHEWAN
MANITOBA
NOVA
ATCO
Edmonton
Calgary
B.C
Canadian Western Natural Gas Co.
Saskatoon
Regina
Foothills Pipeline
Monchy
North Portal
Winnipeg
TCPL
Kenora
Dryden
Ontario
TransGas Legend
High-Pressure Gas Transmission Lines
High Pressure Lines (6" and larger)
Areas of Major Gas Reserves
Swan Valley Gas Corporation
TCPL Pipeline
Foothills Pipeline Ltd.
MIPL (Canada) LTD.
Alliance Pipeline
Compressor Station
Compressor Station & Storage Facility
N
Pacific Gas Transmission Co.
Northern Border Pipeline Co.
Montana Power Co.
NORTH DAKOTA
Great Lakes Transmission
MINNESOTA
Williston Basin Interstate
Mid-Western Gas Transmission
Lake Superior
WASHINGTON
IDAHO
MONTANA
SOUTH DAKOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is a review of the strategic financial direction, performance measurement, results of operation, risk factors and outlook of SaskEnergy Incorporated and its subsidiaries for the year ended December 31, 2001. This discussion should be read in conjunction with the consolidated financial statements and related notes contained in the annual report.

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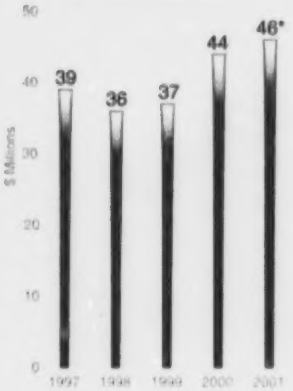
I. STRATEGIC FINANCIAL OVERVIEW

A. WHO AND WHAT IS SASKENERGY

SaskEnergy's vision is to be Canada's leading energy company by anticipating its customers' changing needs and providing innovative and responsive solutions.

SaskEnergy is confident it can fulfill its vision through the proven strength of its core natural gas distribution and transmission businesses supplemented by steady growth. Through its core businesses, SaskEnergy has been building value for its customers and shareholders since the Corporation's inception in 1988.

Consolidated Net Income Historical Review



* Before the effect of the loss on commodity sales. See Results, Section II, page 38

The Local Distribution Company provides natural gas distribution services to over 320,000 Saskatchewan homes and businesses which translates into serving approximately 92 per cent of the available market in the province. Volume distributed within Saskatchewan is the key business driver for the Local Distribution Company.

TransGas Limited (TransGas), through its transmission and storage infrastructure, receives natural gas from the natural gas producing areas of Saskatchewan (along with interconnections to Alberta and the United States), and delivers the gas to various customers within Saskatchewan, including the Local Distribution Company and outside of Saskatchewan to the export market on behalf of customers. The key business driver for the transmission business is to maximize both natural gas receipts onto the transmission system and deliveries from the transmission system.

Both core businesses have highly regarded safe and reliable infrastructures extending to a large majority of the province, facilitating the transporting, storing and distributing of natural gas.

SaskEnergy's long-term business strategy is to build on the physical and financial strength of core businesses, while growing steadily by encouraging new business opportunities. Long-term value creation underlies SaskEnergy's strategic corporate direction.

B. VALUE CREATION

SaskEnergy creates value in several ways. The key financial success factors for value creation are:

- Maintaining competitive rates to customers while providing customer service excellence and a safe and reliable system;
- Providing a fair return to shareholders, which in turn contributes value to the Province and people of Saskatchewan; and
- Developing prudent growth opportunities to help create long-term value.

C. KEY CHALLENGES FOR SASKENERGY

SaskEnergy has built long-term value despite its many challenges.

MARKET CONDITIONS

- Natural Gas Price Volatility

  In an environment where gas prices are becoming even more volatile, the challenge is to balance the need to protect customers from rising prices, while giving customers the benefit of falling prices.

- Rate Pressures

  Operating cost pressures place added stress on rates. With a vast network of aging infrastructure, where safety and reliability are paramount, extensive risk management and maintenance programs are required. In addition, the Corporation, similar to other businesses, is not insulated from general cost increases for goods and services related to operations.

- Saskatchewan Natural Gas Distribution Market

  SaskEnergy has been very successful in providing natural gas distribution service to a large percentage of the Saskatchewan market (about 92 per cent). Accessing currently unserved areas along with connecting new residential, commercial and industrial customers is forecast to produce a growth rate of one per cent annually over the next five years.

- Saskatchewan Natural Gas Production

Despite the record high drilling over the last two years, Saskatchewan natural gas production has remained relatively flat, which in turn, means marginally higher gas receipt volumes for the transmission system.

- Winter Weather

Weather patterns are an uncontrollable factor that has a significant impact on the volumes distributed during the annual peak consumption season from November to March. For example, in 2001, delivery service revenue for the Local Distribution Company was lower than expected by $12 million as a direct result of the winter which was six per cent warmer than normal.

- Growth Opportunities

The challenge is balancing long-term value creation with an acceptable level of risk.

D. KEY STRATEGIES: POSITIONING TO TAKE ON THE CHALLENGES

Gas Price Volatility

Despite the volatile natural gas price market, SaskEnergy has been able to offer the lowest provincial rates in Canada in four of the last five years. This has been made possible by a prudent gas price management strategy.

Local Distribution Company - Core Business

The key focus for this business unit is to ensure a safe reliable system while expanding value-added service offerings in local markets and promoting energy conservation. It is also pursuing new customer connections and expansion to currently unserved areas where economically feasible.

TransGas Core Business

Its primary objective is to "Fill the Pipes". By offering a rate freeze for 2000 and 2001 which has now been extended into 2002, TransGas has had a strong competitive advantage. The "Fill the Pipes" strategy is designed to increase receipts, primarily from Alberta. In terms of delivery volumes, TransGas will be connecting three large industrial expansions, which will provide new delivery revenue for many years to come.

Rate Pressures – Cost Pressures

As both core businesses are experiencing cost pressures, the Corporation has nurtured a culture of continuous business improvement. In 2001, combined cost savings of $2 million were identified through efficiency improvements. An additional $1.5 million of cost savings is planned for 2002.

New Opportunities - Growth

SaskEnergy is actively pursuing opportunities to grow inside the province as well as leveraging core expertise to expand into other geographic areas. Within the province, potential investment opportunities include extending natural gas to new residential, commercial and industrial developments, as well as exploring new technologies and promoting non-traditional appliances. Outside of Saskatchewan, SaskEnergy's subsidiary, SaskEnergy International increased its equity investment in a natural gas distribution company in Chile and is planning to invest in a gas transmission system in Mexico in 2002.

Non-Core Business (Storage Optimization)

TransGas owns two storage fields in west-central Saskatchewan (Pierceland and Mannville locations). The Corporation has determined that it is no longer cost efficient to operate these facilities for third party storage service and as a result, it has been producing and selling the original gas from these fields. The revenue generated from these gas sales is outside of the core business, as the related assets are not integral to the transmission system.

LIQUIDITY AND CAPITAL RESOURCES

SaskEnergy's infrastructure is very extensive throughout the province. It also has a dedicated workforce with decades of experience and expertise in the distribution, transmission and storage businesses.

These resources coupled with a strong financial position will enable SaskEnergy to implement its strategies. At the end of 2001, the Corporation had a capital structure consisting of 74 per cent debt and 26 per cent equity and is moving toward reaching its debt to equity target of 65 per cent debt and 35 per cent equity by 2006.

Cash from operations is expected to be sufficient to cover the majority of core capital spending requirements over the next five years.

E. MEASURING SUCCESS

SaskEnergy measures its performance on the key value creators through a process known as the Balanced Scorecard. The financial targets in the Balanced Scorecard are based on the standard financial performance measures for regulated Canadian natural gas utilities.

THE BALANCED SCORECARD

SHAREHOLDER VALUE

Objectives	**Measures (annualized)**	**Results 2000**	**Results 2001**	**Target 2001**	**Target 2002**
Provide industry comparable returns for the shareholder	Consolidated Net Income (millions of dollars)	44	(15)	74	53
	Return on Equity - Consolidated	14.8%	Nil *	22.9% ***	18.0% ***
	LDC – Return on Equity	4.5%	Nil **	12%	9%
	TransGas – Return on Equity – Core	14.2%	13.2%	12%	12%
	Debt/Equity Ratio – Consolidated	70/30	74/26	68/32	72/28
	LDC – Debt/Equity Ratio	60/40	56/44	60/40	60/40
	TransGas – Debt/Equity Ratio	68/32	65/35	65/35	65/35
	Dividend – (per cent of net income)	55%	0%	55%	65%

* 15.3 per cent before the effect of the loss on commodity sales.
** 0.7 per cent before the effect of the loss on commodity sales.
*** Includes core utility businesses plus non-core storage gas sales.

COMPETITIVE RATES

Objectives	**Measures**	**Results 2000**	**Results 2001**	**Target 2001**	**Target 2002**
Provide fair, competitive and stable rates	Achieve the lowest commodity rates in Canada among the provincial utilities	lowest	lowest	lowest	lowest
	TransGas – Export Rates	lower than TransCanada Pipelines / NOVA	lower than TransCanada Pipelines / NOVA	lower than TransCanada Pipelines / NOVA	lower than TransCanada Pipelines / NOVA

The following is a discussion of the objectives listed in the above Balanced Scorecard:

1) Provide Industry Comparable Returns

- **Consolidated Net Income**

SaskEnergy operates both utility (referred to as core) and non-utility businesses (referred to as non-core). The majority of the consolidated net income is produced from the two utility business units. The net income of these two business units is primarily dependent upon the level of rate of return on equity and capital structure as allowed by the Government of Saskatchewan.

- **Return on Equity – Utility (Core)**

Return on equity is the primary measure of profitability of a regulated natural gas utility. The rate of return on equity for natural gas distribution and transmission utilities in Canada is in the range of 9 per cent to 13 per cent. A regulator in Canada commonly sets these returns; however the returns can vary for a number of reasons. For example, a utility can increase its rate of return on equity by establishing a performance-based agreement with its regulator. In addition, large new transmission pipelines and greenfield natural gas distribution projects have been awarded a higher than average return on equity due to factors such as construction risk.

The long-term rate of return on equity target for both the Corporation's utility businesses is 12 per cent.

- **Debt-to-Equity Ratio**

Each regulated natural gas utility in Canada has a target capital structure that provides for a theoretically optimum balance between the debt and equity needed to finance the purchase of assets. The capital structure is also intended to reflect the relative risk inherent in the business of each utility. Generally, in Canada, a typical capital structure for a regulated natural gas utility consists of 60 per cent to 65 per cent debt and 40 per cent to 35 per cent equity.

For regulatory purposes, the Local Distribution Company has a long-term capital structure target of 60 per cent debt and 40 per cent equity. Similarly, TransGas has a long-term capital structure target of 65 per cent debt and 35 per cent equity. The Corporation's target for the consolidated entity is 65 per cent debt and 35 per cent equity.

- **Dividend**

In 1998, Crown Investments Corporation established a dividend policy for all the Crown Corporations within its purview. In accordance with this policy, SaskEnergy's dividend level for 2002 and beyond is 65 per cent of consolidated net income until the Corporation reaches its consolidated debt-to-equity target of 65 per cent debt and 35 per cent equity.

2) Provide Competitive Rates to Customers

- Local Distribution Company

The target for the Local Distribution Company is to have the lowest commodity rates in Canada (i.e. the rate charged for just the natural gas itself). In four of the past five years, through a Gas Price Hedging Program, the Local Distribution Company was able to lock in prices for natural gas that were lower than those offered by regulated natural gas distribution utilities in other provinces.

- TransGas

A key strategy for TransGas is to achieve long-term rate stability. This strategy was implemented in September 1999 with the decision that TransGas would not increase transmission rates for 2000 or 2001. The rate freeze has been extended into 2002.

F. CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

CROWN SECTOR STRATEGIC PLAN

SaskEnergy is a Saskatchewan Crown corporation and, for governance purposes, is considered a subsidiary of the Crown Investments Corporation of Saskatchewan (CIC). CIC, also a provincial Crown corporation, is the holding company for Saskatchewan's commercial Crown corporations.

In 1999, CIC and its subsidiaries developed a Crown Sector Strategic Plan to provide long-term direction to the Crown corporation sector, and facilitate long-term planning. The plan includes a guiding vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives. SaskEnergy has developed its Corporate Strategic Plan to support CIC's five overall strategic objectives: Customer Service Excellence, Financial Health, Mandate and Role, Public Purpose, and Human Resources.

The following is CIC's strategic objective contained in the Crown Sector Strategic Plan with regard to Financial Health:

"Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector."

CORPORATE STRATEGIC PLAN

SaskEnergy's Corporate Strategic Plan is designed to be aligned with CIC's Crown Sector Strategic Plan and to CIC's overall strategic objectives.

SaskEnergy's Corporate Strategic Plan builds on the strength of its two core business units, ensuring that they build value by providing competitive returns to the owner and competitive rates to customers.

Investment opportunities that grow the company must provide a fair return with moderate risk to the Province of Saskatchewan.

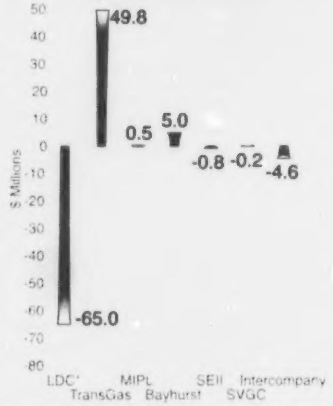
The strategic plan also recognizes that these two core business units have been given a mandate to operate in a business-driven fashion, similar to other Canadian natural gas distribution and transmission companies.

II. RESULTS

A. CONSOLIDATED KEY FINANCIAL INDICATORS

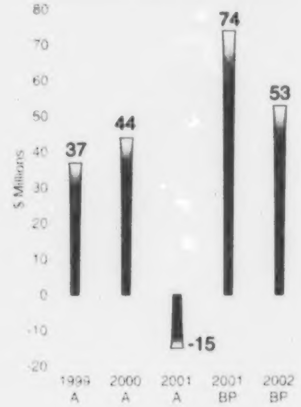
This section should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

Net Income by Company 2001 Actual

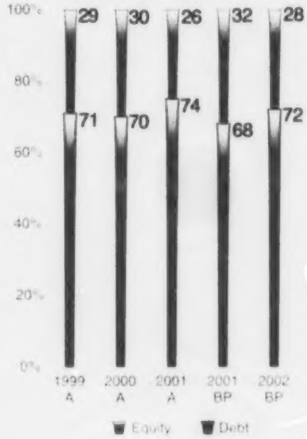


* Includes the effect of the loss on commodity sales - See Note 17 Segmented Information

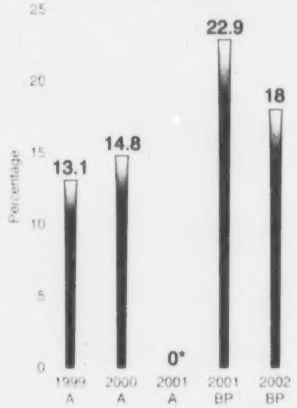
Consolidated Net Income



Debt to Equity Ratio



Return on Equity



* ROE before the effect of the loss on commodity sales is 15.3 per cent

A=Actual BP=Business Plan

Similar to all other Canadian natural gas utilities, SaskEnergy and its customers faced the realities of unprecedented high natural gas prices during the first half of 2001. As SaskEnergy's commodity rates during this period were insufficient to recover the full cost of gas from customers, SaskEnergy accumulated a significant deficit in its Gas Cost Variance Account. During the review of SaskEnergy's related commodity rate application it became apparent that full cost recovery of the Gas Cost Variance Account by SaskEnergy would cause undue hardship for a considerable number of customers. Therefore effective May 31, 2001 SaskEnergy absorbed the $75.9 million balance in the Gas Cost Variance Account. This decision created a substantial loss for the Corporation but it provided much needed protection for a broad range of natural gas consumers in the province.

Including the $75.9 million write-off of the Gas Cost Variance Account noted above, on a consolidated basis, the Corporation incurred a loss of $15 million for 2001.

However, excluding the effect of the loss on commodity sales of which includes the Gas Cost Variance Account write-off, the Corporation reported consolidated operating income of $46 million. Although the Local Distribution Company was negatively impacted by warmer than normal winter weather and consequently operated at a breakeven level, TransGas Limited posted a strong net income performance. TransGas Limited achieved $25 million in net income from its core transmission and storage business and a further $25 million from the optimization of a natural gas storage field in west-central Saskatchewan.

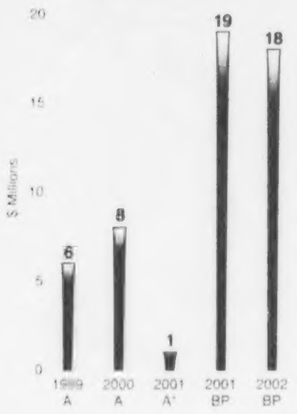
Due to the write-off of the Gas Cost Variance Account, the Corporation was not able to achieve either its 2001 targets for rate of return on equity or debt to equity ratio.

The financial performance of the company is expected to rebound from the loss on commodity sales in 2001.

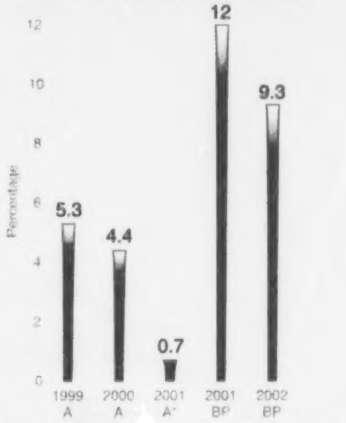
B. LOCAL DISTRIBUTION COMPANY (LDC) KEY FINANCIAL INDICATORS

This section should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

Operating Net Income

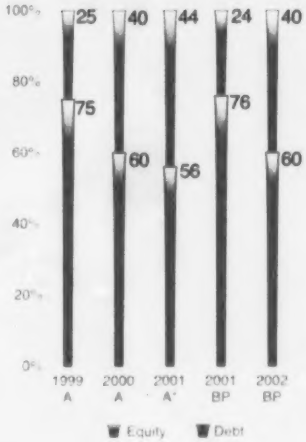


Return on Equity - Operations



* Figures for 2001 do not include the effect of the loss on commodity sales - see Note 17 Segmented Information

Debt to Equity Ratio



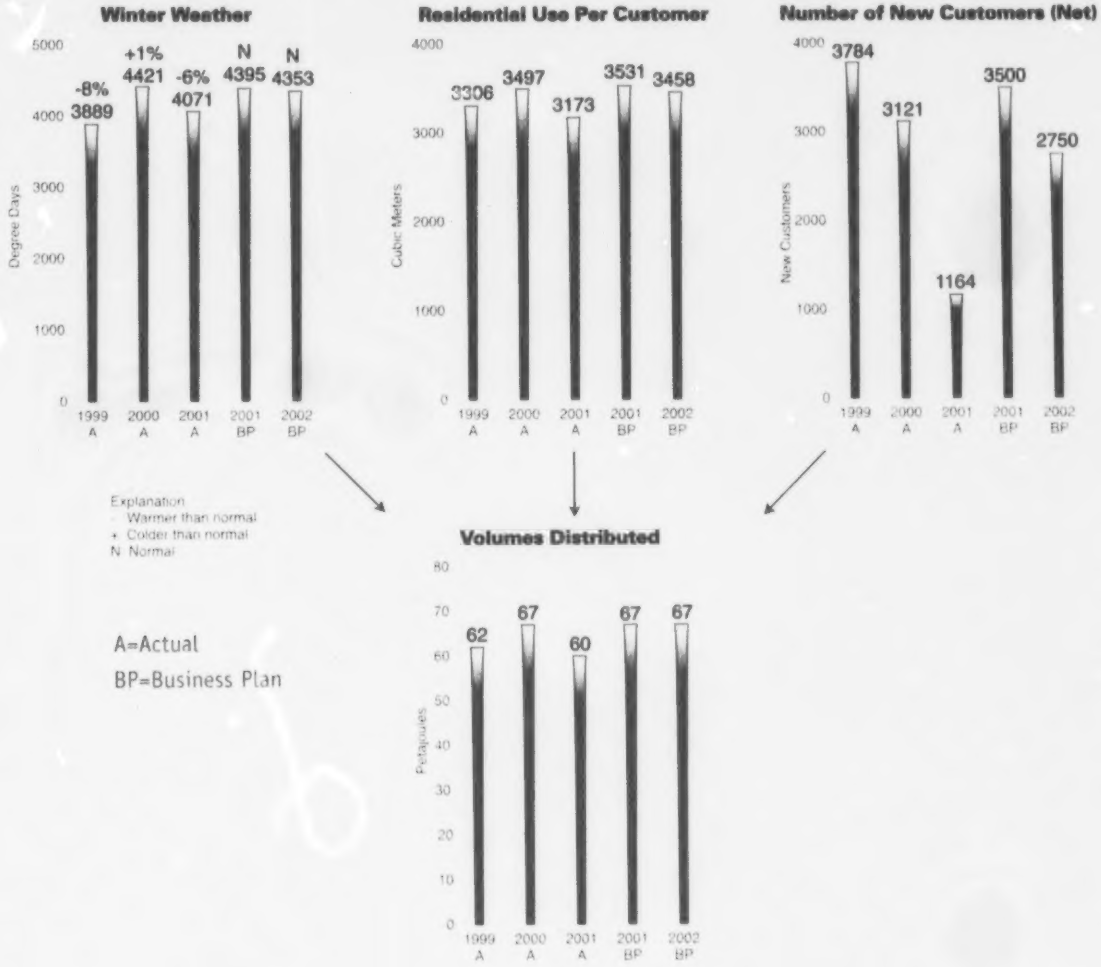
A=Actual BP=Business Plan

The LDC's net income was $1.4 million from operations during 2001 before recognizing the effect of the loss on commodity sales, which includes the write-off of the $75.9 million Gas Cost Variance Account balance at May 31, 2001.

Excluding the impact of the Gas Cost Variance Account write-off, the 2001 Business Plan net income target of $19 million was not achieved primarily due to a delivery revenue shortfall. The reduced volumes distributed due to the warmer than normal weather caused $12.0 million of the shortfall, while the planned delivery rate increase (which was not implemented) accounted for a further $4.2 million decline. As a result, the net income and the return on equity targets were not achieved in 2001.

LDC KEY OPERATIONAL PERFORMANCE MEASURES

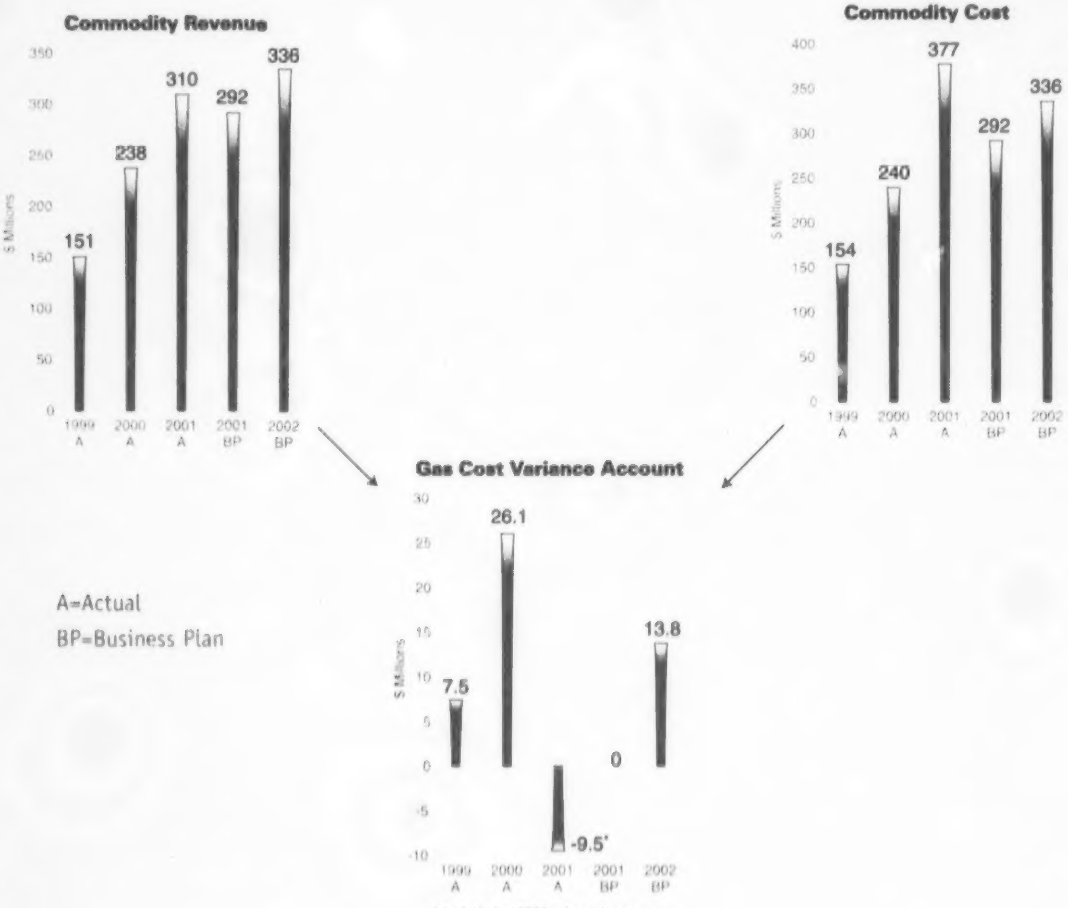
The LDC's revenue is directly impacted by the volumes of gas distributed. Volumes distributed are impacted by weather as most customers (i.e. residential, farm, commercial and large end use customers) consume natural gas primarily for space heating purposes. During 2001, the weather averaged six per cent warmer than normal which resulted in a decline in volumes distributed of 7 petajoules (10 per cent). This compares to 2000 where the weather was one per cent colder than normal. The residential customer category has the largest number of customers and with the continued installation of more fuel efficient furnaces combined with improved levels of building insulation, the average residential use per customer, excluding the impact of weather, has declined by 5 per cent over the past 5 years.



During 2001 there were 2,570 new customers that were connected which was less than in recent years, reflecting fewer remaining areas in the province where natural gas distribution facilities can be economically connected to the existing system. Furthermore, the substantial increase in natural gas commodity prices experienced during the year resulted in more than 1,000 existing customers disconnecting their service which reduced the net customer additions to 1,164. With a decline in natural gas commodity prices during the latter part of 2001, the outlook for 2002 anticipates 2,750 new customers.

The forecast for 2002 and beyond assumes winter weather based on the 30-year average, combined with an annual average addition of 2,500 new customers. Volumes distributed are projected to increase approximately 1 per cent annually.

LDC COMMODITY REVENUE AND COST OF GAS



* Included in 2001 retained earnings

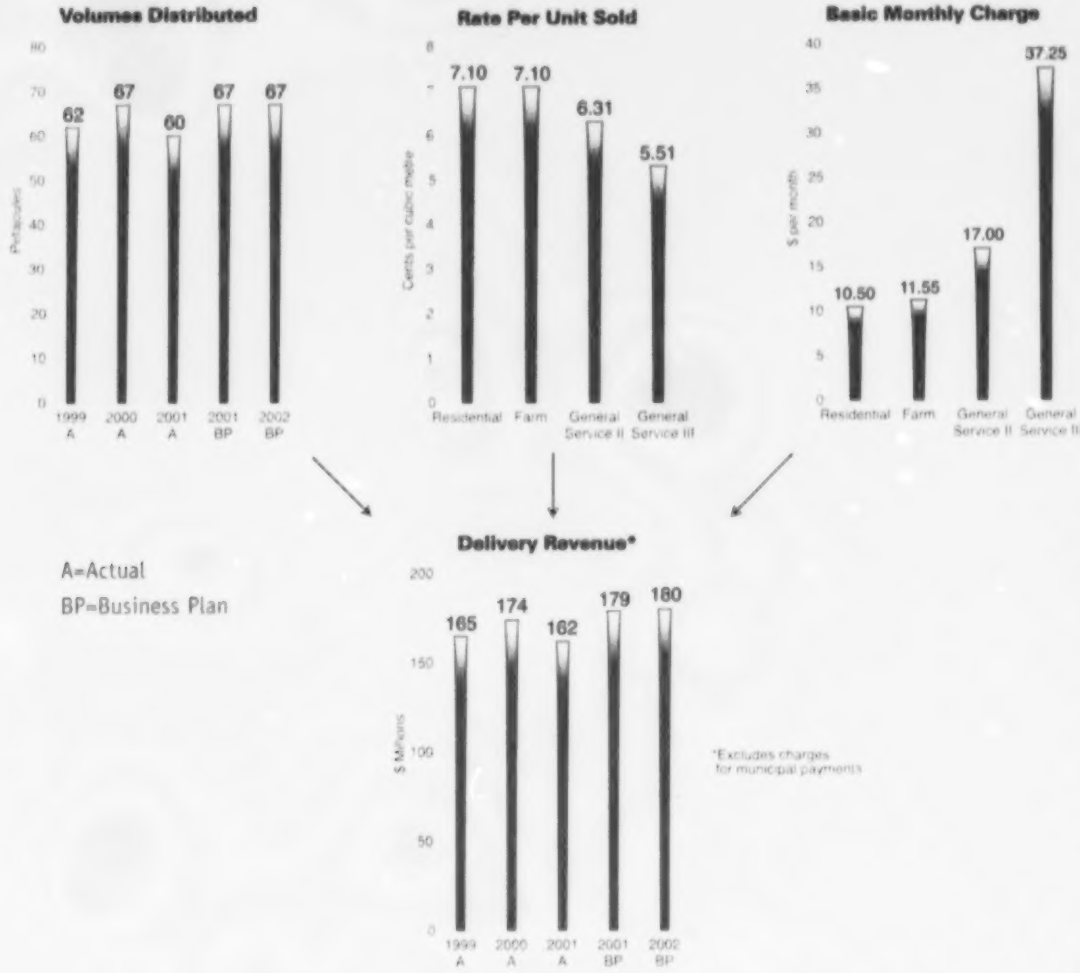
Services provided by SaskEnergy include natural gas delivery and commodity supply. Commodity is supplied to customers on the basis that SaskEnergy recovers only its cost of securing the gas supply such that neither a profit margin is earned nor a loss incurred.

Commodity rates are based on a forecast cost of gas for the next year and to the extent that costs actually incurred differ from the forecast, that difference is accumulated in a Gas Cost Variance Account. Balances accumulated in the Gas Cost Variance Account are either refunded to or recovered from customers in subsequent rate changes. All rate changes are submitted to the Saskatchewan Rate Review Panel for review and in turn the Panel provides its recommendations to CIC and the Government of Saskatchewan.

During the first half of 2001, natural gas purchase prices reached historical highs resulting in the Gas Cost Variance Account accumulating $75.9 million in unrecovered gas costs by May 31. In order to protect customers from undue hardship, a decision was made that SaskEnergy would absorb the $75.9 million balance in the Gas Cost Variance Account.

A commodity rate increase of 40 per cent was implemented June 1, 2001 reflecting the forecast cost of gas. However, gas purchase prices declined in the latter half of 2001, resulting in the accumulation of a Gas Cost Variance Account balance of $10.9 million in favour of customers by October 31. This balance owing to customers, combined with a continued decline in the forecast cost of purchased gas, enabled a commodity rate reduction of 14 per cent which was implemented November, 2001. For overall annual savings to customers see page 18.

LDC DELIVERY REVENUE



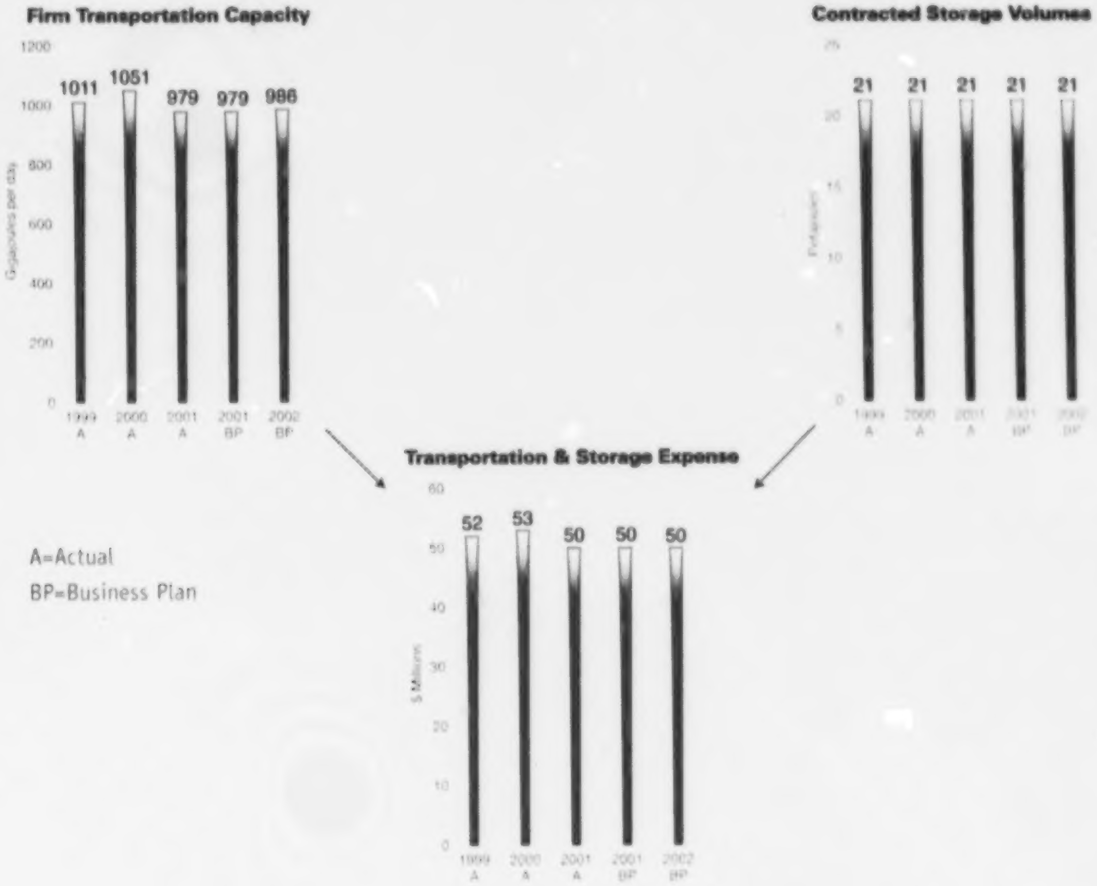
*Excludes charges for municipal payments

Delivery revenue is designed to recover the costs of distributing natural gas from its point of purchase to the meter at the customer's premise.

Delivery revenue was $12.0 million lower in 2001 than forecast, due to a reduction in the volumes distributed largely reflecting the warmer than normal weather. The Business Plan assumed a 2.4 per cent delivery rate increase ($4.2 million) to cover increases in the cost of providing delivery service. The planned delivery rate increase reflected in the 2001 Business Plan was not approved by the Saskatchewan Rate Review Panel.

SaskEnergy last implemented a delivery rate increase in 1997, which was the only delivery rate increase since 1994.

LDC DELIVERY TRANSPORTATION AND STORAGE EXPENSE



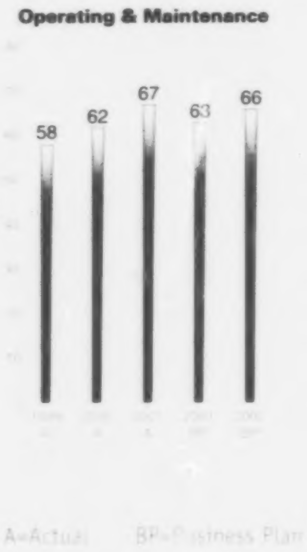
A=Actual
BP=Business Plan

Transportation cost is very stable and reflects the cost of contracting transportation pipeline capacity from TransGas. The capacity contracted must reflect the requirements needed to meet customer demand for gas on the coldest day of the year. A reduction in the volume of required capacity enabled the LDC to realize cost savings for 2001.

The $50.1 million cost of transporting natural gas to the distribution system was $2.7 million lower than in 2000.

Transportation and storage costs are forecast to remain stable for the year 2002.

LDC OPERATING AND MAINTENANCE EXPENSES

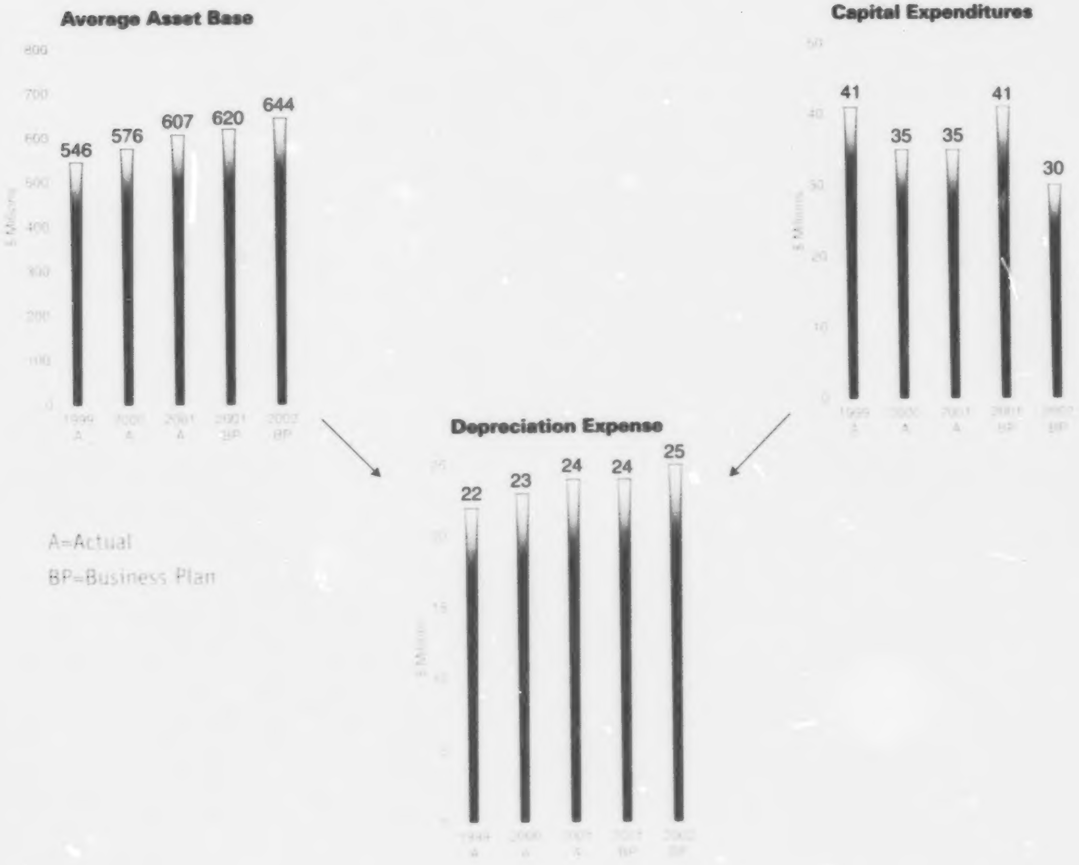


Operating and maintenance expenses include the costs of personnel, materials, supplies and contracted services necessary for operating and maintaining a safe and reliable distribution system as well as providing a high level of customer service. Expenses were higher in 2001 than 2000 by $5.1 million reflecting various cost pressures. The LDC experienced increased labour costs plus unprecedented high natural gas costs which resulted in increased expenses for system operation and internal usage mainly for line heater fuel, and higher bad debt expenses associated with a larger number of account write-offs. Fewer new customer connections during 2001 resulted in more resources allocated to completion of system maintenance projects, rather than capital additions, which in turn impacted expenses.

SaskEnergy assisted customers during 2001 with the installation of more energy efficient natural gas heating equipment by offering prime interest rate loans as part of the Saskatchewan Government's Greenprint Program. Offering these low interest loans to customers cost the utility $0.6 million during 2001.

A number of business process improvement initiatives were undertaken to improve operational and administrative efficiencies as well as utilize materials and equipment more cost effectively. A materials recycling program to rebuild equipment components has reduced capital costs. The Home Heating Check-Up/Tune-Up Program offered in conjunction with the SaskEnergy Network of members has utilized the skills of existing staff to provide a value-added customer service which produced incremental revenue.

LDC CAPITAL EXPENDITURES AND DEPRECIATION EXPENSE

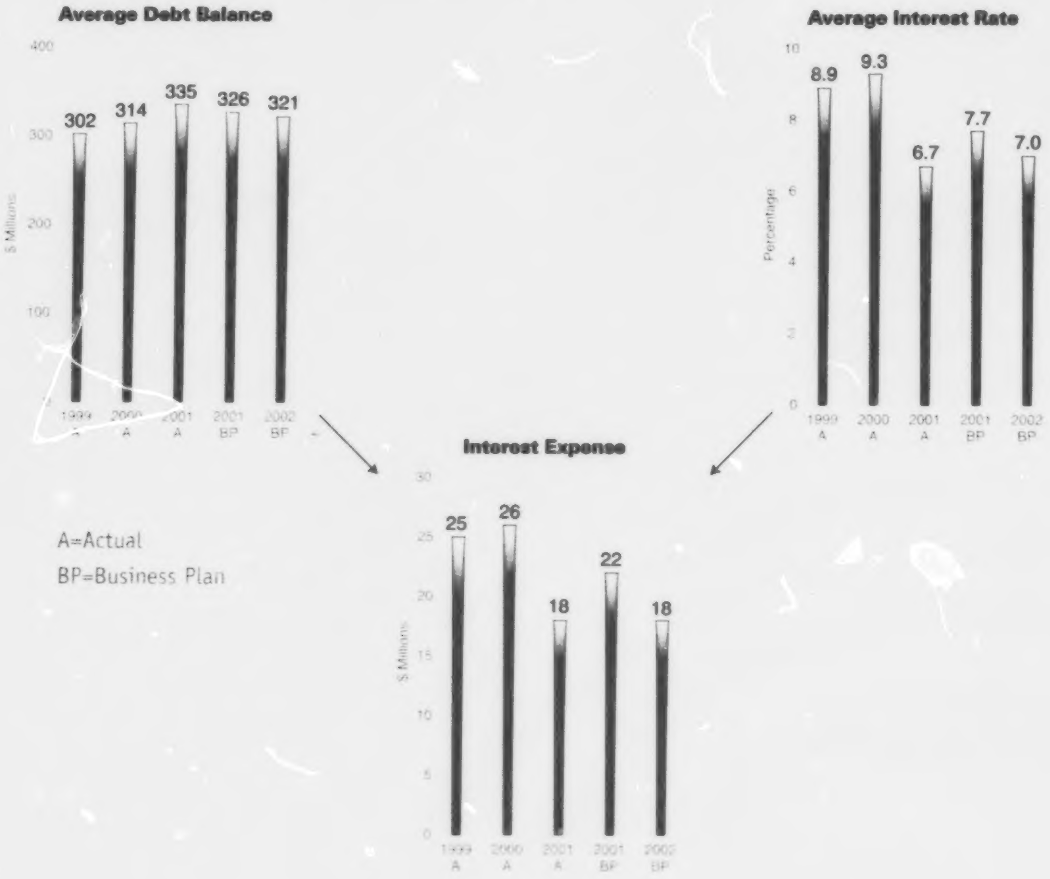


Capital expenditures for 2001 totalled $35 million, which approximated the 2000 level. The number of new customer connections decreased from the previous year. The dramatic rise in natural gas commodity prices during the early months of 2001, combined with poor economic conditions in the agricultural economy, resulted in fewer new connections for homes and businesses and discouraged some conversions to natural gas as a heating fuel.

Offsetting the decrease in new residential customer additions was the installation of facilities to serve a large co-generation project and the completion of distribution system improvement projects.

Depreciation expense increased by $.8 million in 2001 over 2000 reflecting additions to the asset base from capital expenditures in 2000 and 2001.

LDC INTEREST EXPENSE



Interest expense for 2001 was $8.8 million less than 2000 mainly due to the full year impact of an internal capital reorganization which reduced the LDC debt level, combined with the refinancing of maturing long-term debt at interest rates significantly lower than previous rates. Lower than anticipated short-term borrowing rates further contributed to reducing interest costs for the year.

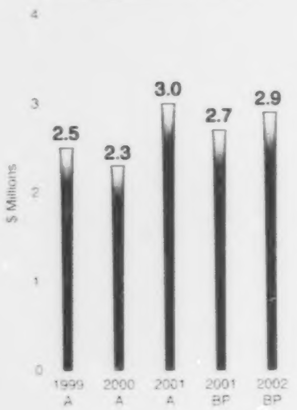
Interest expense for 2002 is forecast to approximate 2001 as internally generated funds are expected to cover forecast capital expenditures.

LDC SASKATCHEWAN TAXES AND MUNICIPAL PAYMENTS

SaskEnergy pays corporate capital tax to the Province of Saskatchewan.

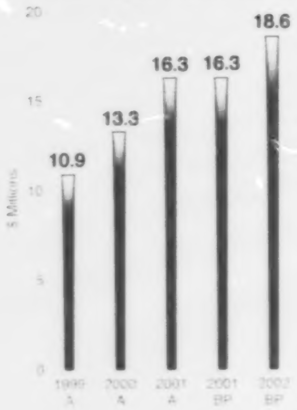
This tax is calculated on capital employed and the increase of $.7 million over the previous year reflects a larger year over year asset base. The year 2001 was impacted by the higher cost of natural gas which resulted in an increase in the value of gas in storage and hence an increase in the base upon which the tax was calculated.

Saskatchewan Taxes



SaskEnergy is legislated to make payments to 109 urban municipalities. These payments are considered grants-in-lieu of taxes. Municipal payments are calculated as a percentage of total delivery and commodity sales revenue and are recovered as a charge on the customer bills. Despite reduced revenues due to the warmer than normal weather during 2001, significantly higher commodity rates were responsible for an increase of $3.0 million in revenue collected for and paid to municipalities. The Business Plan for 2002 is based on the 30-year average for winter weather and forecast 2002 commodity and delivery rates.

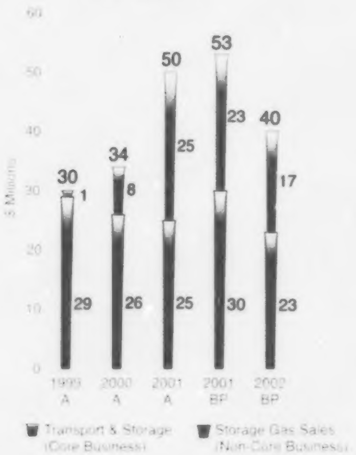
Municipal Payments

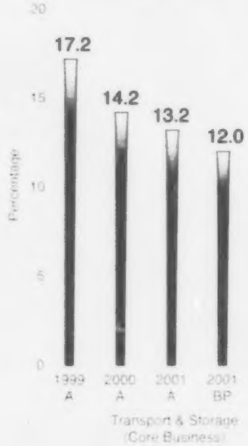


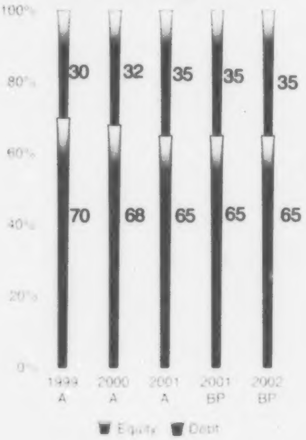
A=Actual BP=Business Plan

C. TRANSGAS LIMITED (TRANSGAS)
KEY FINANCIAL PERFORMANCE MEASURES

This section should be read in conjunction with the Consolidated Financial Statements and accompanying notes.


Net Income


Return on Equity Core Business


Debt to Equity Ratio

A=Actual BP=Business Plan

TransGas net income for 2001 was $50 million, of which $25 million was generated by the core business and $25 million by the non-core business.

Core Business (Transport and Storage)

Net income from its core business, transportation and storage, was $5 million under the 2001 Business Plan as a result of lower transportation revenue ($6 million) which was partially offset by lower expenses of $1 million.

Non-Core Business (Storage Gas Sales)

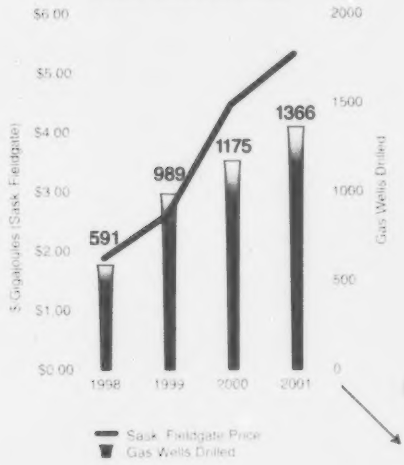
Net income from the non-core business, storage gas sales was $2 million greater than the 2001 Business Plan due to higher gas prices and $17 million higher than 2000 because larger amounts of gas were sold at higher gas prices ($1.50/GJ higher).

The debt to equity ratio target of 65 per cent debt and 35 per cent equity was achieved during the year.

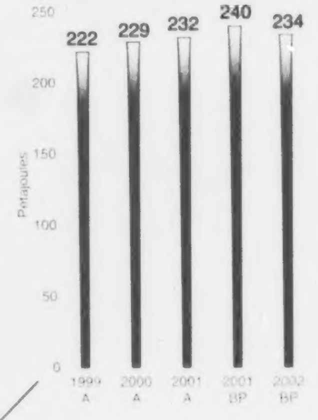
The 2002 forecast net income for the core business is comparable to 2001. Net income from the non-core business will be lower in 2002 as the Corporation has made a decision to market less gas from the optimization of the storage facilities.

TRANSGAS KEY OPERATIONAL PERFORMANCE MEASURES

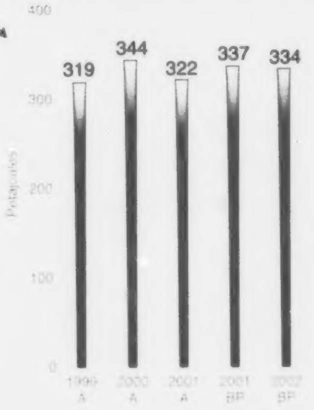
Saskatchewan Natural Gas Wells Price verses Drilling



Receipts - Saskatchewan



Energy Transported (Delivery within TransGas System)



A=Actual
BP=Business Plan

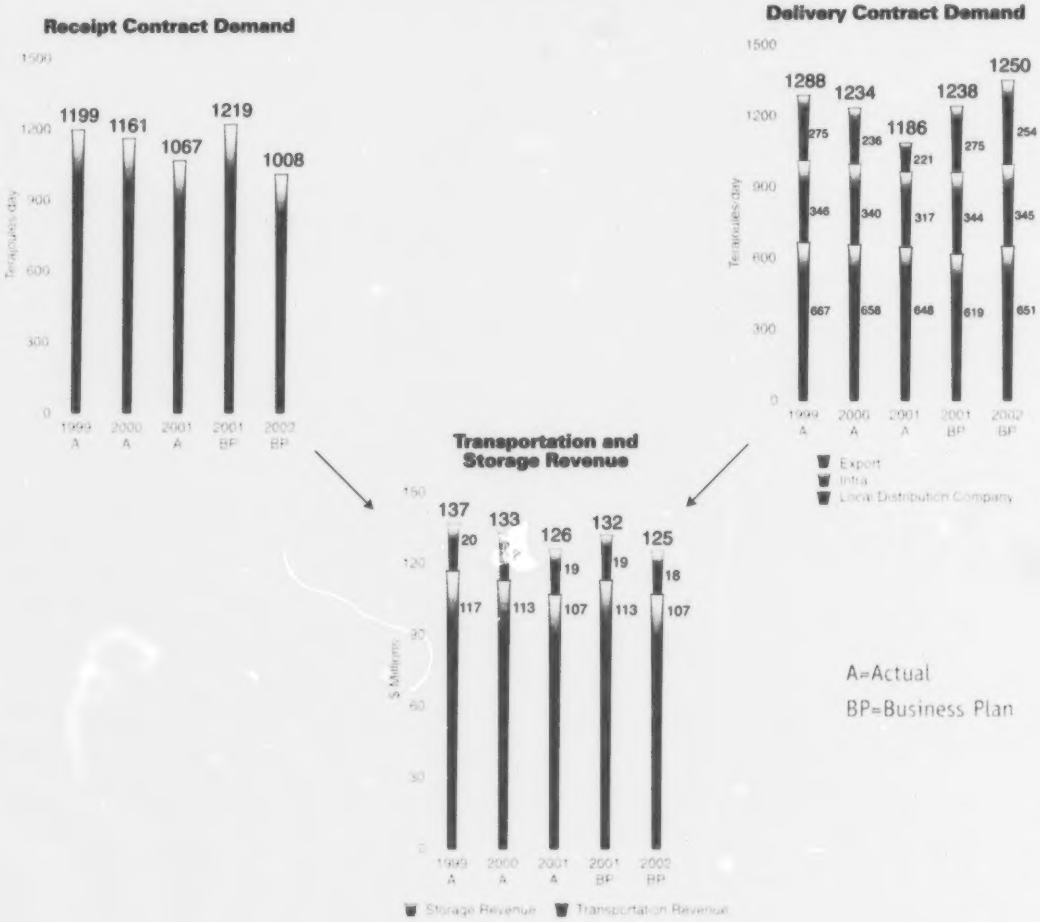
A key performance measure for the transmission business is the amount of energy transported on the system (receipts and deliveries). Energy transported in 2001 was less than the 2001 Business Plan (five per cent lower) and 2000 levels (seven per cent lower). In 2001, 1,366 natural gas wells were drilled, an increase of 16 per cent from 2000 levels.

The increased drilling activity did not, however, lead to the same increases in Saskatchewan natural gas production. Much of the drilling activity during 2001 was focused in the Hatton area (Swift Current region) where gas wells tend to be shallow with comparatively low deliverability. Production levels in 2001 remained relatively the same as compared to 2000 because of a combination of declining natural gas production rates on existing wells and drilling of new shallow gas wells.

Although lower than 2000, energy flows from Alberta were higher than those forecast in the 2001 Business Plan.

Energy transported is expected to remain relatively stable into 2002.

TRANSGAS TRANSPORTATION REVENUE



Transportation revenue is determined primarily by the level of fixed contracted transportation capacity (contracted firm demand). Transportation and storage revenue for 2001 was six per cent lower than in 2000 and five per cent lower than 2001 Business Plan levels. The decline in transportation revenue was due to less receipt (supply) and export contract demand levels.

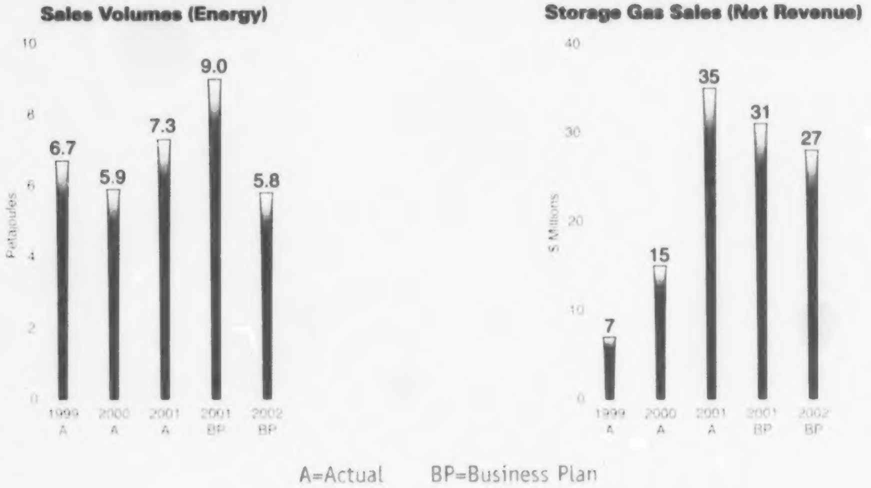
The lower contract demand levels were a result of less energy transported on the system than expected and more efficient customer contracting, which was partially offset by increased interruptible flows in 2001.

The delivery contract demand by the Intra (Saskatchewan) customer category decreased but it is expected to rise in 2002 as a result of three industrial expansions.

Storage revenue in 2001 approximated both 2000 and 2001 Business Plan levels.

The outlook for 2002 is optimistic with expectations comparable to 2001 performance.

TRANSGAS STORAGE GAS SALES

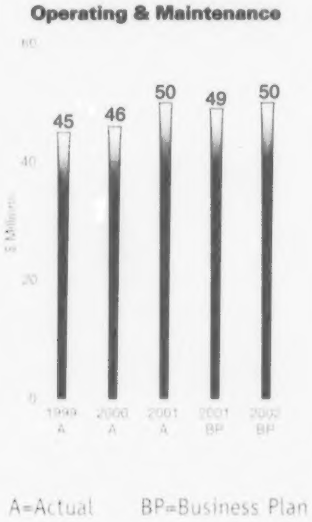

Sales Volumes (Energy)

Storage Gas Sales (Net Revenue)

During 2001 TransGas continued to produce and sell natural gas from two non-operational storage fields.

TransGas sold less storage gas volumes in 2001 than forecast. However, revenue was greater than the Business Plan due to higher than expected gas prices. Compared to 2000, TransGas sold more gas volumes in 2001 and realized higher prices on those sales.

TRANSGAS OPERATING AND MAINTENANCE EXPENSES

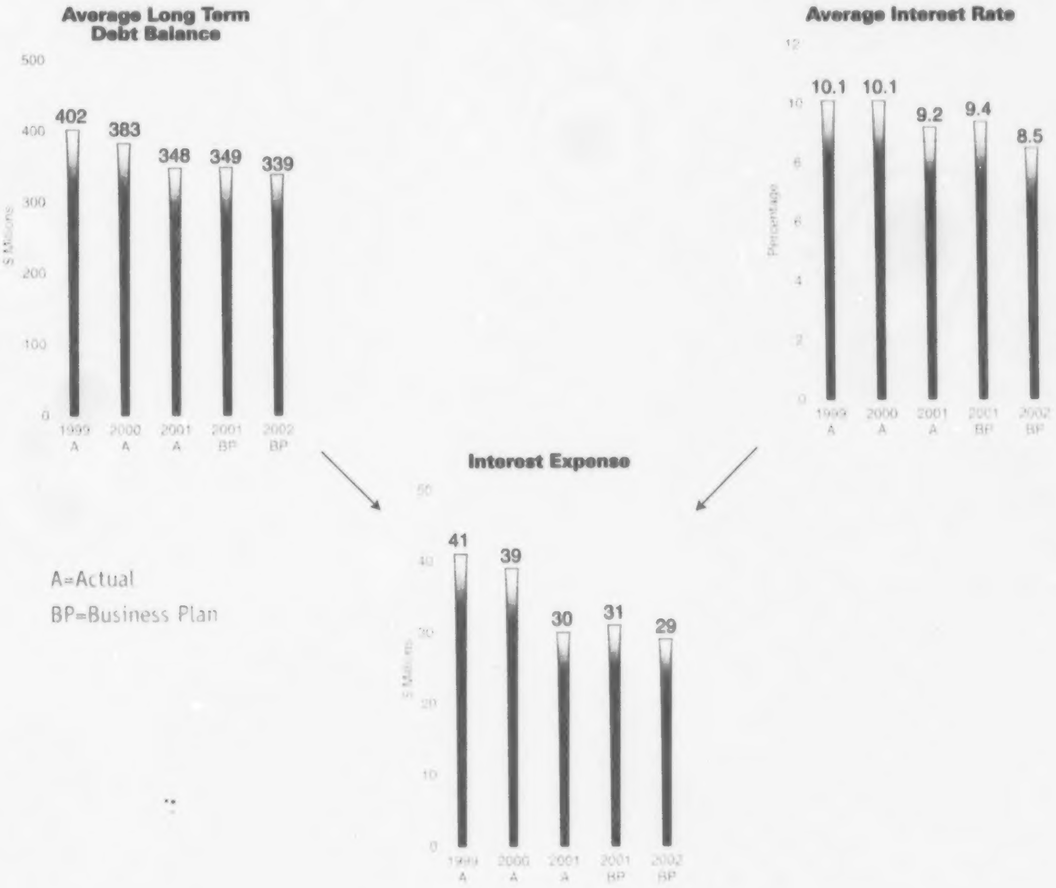


Operating and maintenance expenses (core and non-core businesses) in 2001 were higher than the 2001 Business Plan, resulting from a provision for future well abandonment and site restoration costs of $1.5 million relating to the storage facilities that are expected to be decommissioned in 2006.

Although continued cost savings have occurred through process improvements, various pressures resulted in a $4 million increase in Operating and Maintenance expenses over 2000. The main components of the increase were: provision for well abandonment and site restoration costs, higher labor costs and additional compressor maintenance expenditures.

2002 Operating and Maintenance expenses are expected to approximate 2001 levels.

TRANSGAS INTEREST EXPENSE

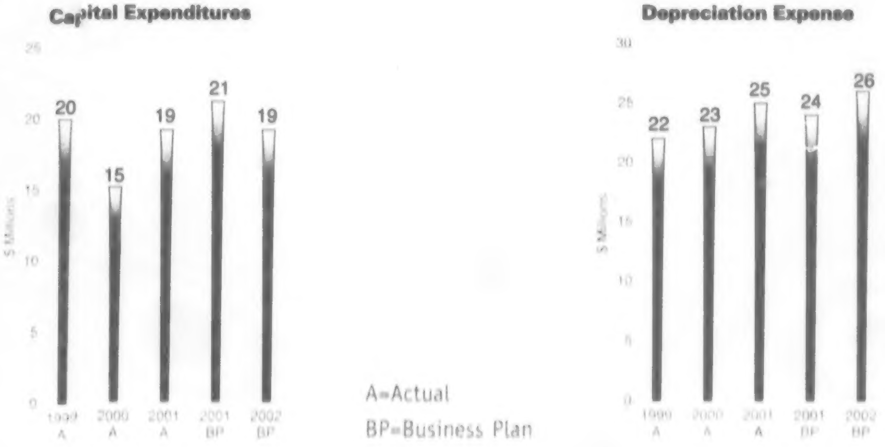


TransGas interest expense declined by 23 per cent from 2000. The primary reason for this favourable decline was the significant reduction ($76 million) in long-term debt. Another positive contributing factor was a gain on the redemption of investments (sinking funds) that were redeemed as part of the debt repayment. Finally, the overall interest rate was almost one percent lower than last year.

In comparison to the 2001 Business Plan, interest was lower because of the unexpected gain on the redemption of the sinking fund.

Interest expense for 2002 is expected to be comparable to 2001.

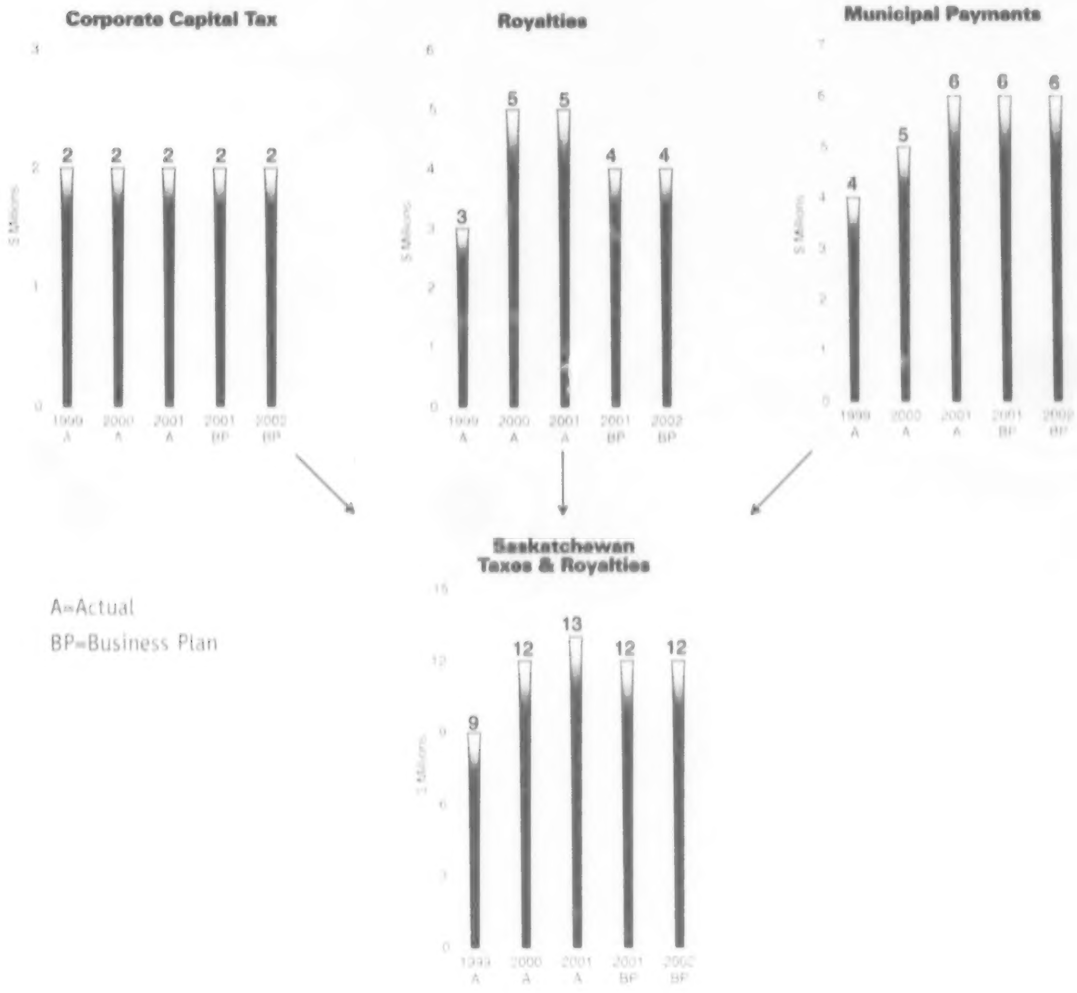
TRANSGAS
CAPITAL EXPENDITURES AND DEPRECIATION EXPENSE



Annual capital expenditures since 1999 have been in the $15 to $20 million range. Capital expenditures for 2002 are expected to continue at these levels as the transmission system is fully developed in existing natural gas reserve areas. Most of the future capital expenditures will relate to system improvements to maintain a safe reliable system and replace existing aging infrastructure.

Depreciation was slightly higher than the 2001 Business Plan due to the accelerated depreciation on assets associated with storage producing fields (storage gas sales). Depreciation has been accelerated to match the period of gas production out of those fields which is expected to be completed by 2006.

TRANSGAS
SASKATCHEWAN TAXES AND MUNICIPAL PAYMENTS



Corporate capital tax of $2 million for 2001 was the same as both 2000 actual and 2001 Business Plan.

Royalties, which are paid to the Province of Saskatchewan on natural gas removed from storage facilities in west-central Saskatchewan (non-core gas sales), were $1 million higher than the 2001 Business Plan due to higher than expected natural gas prices.

Payments to municipalities were $6 million in 2001 compared to $5 million in 2000. In accordance with legislation, TransGas is required to charge certain customers an amount based on the value of the natural gas transported within certain urban municipal boundaries. The amounts collected are then paid by TransGas to those urban municipalities. The municipal payments in 2001 exceeded 2000 by $1 million, mainly because of higher natural gas prices.

D. OTHER SUBSIDIARIES

In addition to TransGas, SaskEnergy also owns four other wholly-owned subsidiaries. The financial results of these subsidiaries are discussed below:

1. Many Islands Pipe Lines (Canada) Limited (MIPL)

MIPL owns and operates the following pipelines:

a) 11 pipeline interconnections between Saskatchewan and Alberta.
b) A pipeline that runs from the United States border to an interconnecting point with TransCanada PipeLines at Herbert, Saskatchewan.
c) A pipeline to the United States from southeastern Saskatchewan.
d) A pipeline from Norquay, Saskatchewan into Manitoba, interconnecting with Swan Valley Gas Corporation to provide natural gas to the nearby communities in Manitoba.

MIPL's net income was $0.5 million in 2001 (2000 net income was $1.1 million) on revenues of $3.6 million (2000 revenue was $4.1 million). MIPL's revenue in 2001 was lower than 2000 due to overall lower rates charged to customers.

2. SaskEnergy International Incorporated (SEII)

SEII was created in 1996 to market SaskEnergy's world-class expertise and investigate opportunities to invest in emerging natural gas distribution, transmission and storage systems.

SEII's primary focus is Latin America, one of the fastest growing natural gas markets in the world. In addition to its consulting activities, SEII holds a 30 per cent equity investment in Gas Sur S.A., a natural gas distribution company in Chile.

SEII's investment strategy is to focus on Chile and Mexico, two of Latin America's most advanced countries. SEII will be looking for opportunities to join forces with strong partners in developing external natural gas projects in these areas.

In December 2001, SEII increased its equity ownership in Gas Sur S.A. from 15 per cent to 30 per cent. The incremental 15 per cent investment cost $5.2 million for a total investment of $12.6 million. Gas Sur S.A. is developing a natural gas distribution system in the Chilean city of Concepción and surrounding area. This is a long-term investment with strong growth potential. As forecast, net income is expected to continue to grow as Gas Sur S.A. adds new customers to its system.

During 2001, SEII incurred a loss of $0.8 million (2000 loss of $0.8 million). SEII earned revenue from consulting services of $0.2 million in 2001 (2000 revenue of $0.2 million), which in turn provides the company the opportunity to learn about new markets and partially offset its business development costs.

3. Bayhurst Gas Limited (Bayhurst)

Bayhurst owns a gross overriding royalty on approximately 500 properties located in Saskatchewan and Alberta. The amount of revenue received is directly related to the sales prices and volumes of natural gas produced from these properties.

Bayhurst's net income was $5 million in 2001 (2000 net income of $3 million) on revenues of $6 million (2000 revenue of $4 million).

Revenue was higher in 2001 because of the higher natural gas prices.

4. Swan Valley Gas Corporation (SVGC)

SVGC was formed in 2000 to own and operate a natural gas distribution utility in the Swan Valley area in western Manitoba. As of December 31, 2001, SVGC had 108 customers. The majority of these customers were connected in the late fall of 2001.

SVGC's loss was $0.2 million in 2001 (2000 net income was nil) on revenues of $0.6 million ($0.1 million revenue for 2000). SVGC is expected to improve its financial performance in 2002 as new customers are connected and existing customers provide a full year of revenue contribution.

III. BUSINESS RISKS

Management's ability to effectively manage the impact of major business risks is critical to the successful financial performance of SaskEnergy. The following discussion describes the nature of these risks and briefly outlines the policies and procedures management has implemented to manage their impact on the financial results.

A. Natural Gas Prices

With regard to natural gas purchased for sale to retail customers, SaskEnergy's objective is to manage price volatility on behalf of customers by offering fixed rather than floating rates. Providing a fixed rate to customers for a predetermined period, while neither incurring a profit nor loss on the sale of natural gas, is an ongoing challenge due to significant gas purchase price fluctuations. Consequently, the Corporation has developed a Gas Price Hedging Program to manage the impact of changing gas prices. This program allows the Corporation to fix the purchase price of natural gas, using financial instruments, so that a fixed rate can be offered to customers.

B. Interest Rates

SaskEnergy is a capital intensive organization and like other utilities, it relies on debt to finance a large portion of its assets. Consequently, changes in interest rates on these large amounts of debt can impact financial performance and rates.

As at December 31, 2001, SaskEnergy had $624 million of long-term debt and $218 million of short-term debt owing to the Province of Saskatchewan's General Revenue Fund. The long-term debt consisted of 24 individual loans each with specific maturity dates. On average, including short-term debt, a total of approximately $200 million of debt will mature and be reissued in each of the next five years. To manage the impact of interest rates on the re-issuance of this debt, SaskEnergy may use financial derivatives such as interest rate swaps, forward rate agreements, and forward options.

F2

C. Foreign Exchange

During 2001, SaskEnergy was affected by changes in the value of the Canadian dollar relative to the United States dollar for the procurement of natural gas and capital equipment purchases denominated in United States dollars. To manage the impact of changes in the value of the Canadian dollar relative to the United States dollar, SaskEnergy has implemented a hedging program that uses financial instruments such as forward contracts and currency options.

D. Credit Risk

In the normal course of business, SaskEnergy extends credit to customers using its services and to counterparties related to its hedging activities described above. SaskEnergy has established specific policies and procedures to assess, measure, and monitor the amount of credit extended to individual customers and counterparties. These policies and procedures ensure that the impact of customers who may default on their financial obligations to SaskEnergy is minimized.

IV. REGULATION

By virtue of Provincial legislation, SaskEnergy has been granted the exclusive franchise to distribute natural gas in Saskatchewan.

In July 2000, the Saskatchewan Rate Review Panel (SRRP) was established by Minister's Order for a two-year term. The Panel, which consists of six members, has a mandate to assess the fairness of SaskEnergy's rates taking into consideration the interests of the customer, the Corporation and the public.

During 2001, SaskEnergy filed two rate applications before the SRRP relating to rates charged for the sale of the commodity. There was no rate application filed during 2001 related to delivery services. The SRRP, on the advice of independent experts from the British Columbia Utilities Commission, made recommendations to CIC and the Government of Saskatchewan regarding SaskEnergy's rate applications.

V. OUTLOOK

SaskEnergy is optimistic about the future. A strong financial performance is forecast for 2002 and there is confidence that rates will remain competitive. SaskEnergy is committed to keeping the Local Distribution Company's commodity rates the lowest or second lowest in Canada and TransGas is committed to keeping its export rates lower than Alberta.

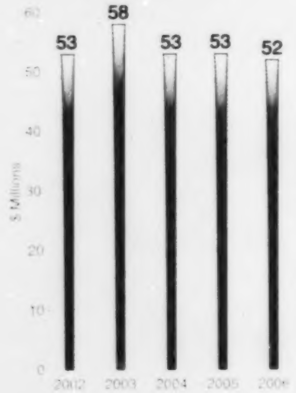
While many challenges face SaskEnergy [illegible] Corporation has a strong core business foundation which will be reinforced through implementation of prudent core business and growth strategies.

The Corporation is committed to creating long-term value with $100 million dedicated to capital investments over the next 2 years as part of its long-term growth strategy "Investing in Saskatchewan" and "Investing for Saskatchewan."

Specifically with regard to the "Investing in Saskatchewan" strategy, approximately $80 million in net capital expenditures has been earmarked for Saskatchewan in 2001 and 2002 to provide even more residents and businesses with the benefits of natural gas service. Expanding services within Saskatchewan and growing its system is paramount to the long-term health of the company.

"Investing for Saskatchewan" will be achieved by expanding outside of Saskatchewan. SaskEnergy International recently made an incremental 15 per cent equity investment in Gas Sur S.A., a Chilean natural gas distribution company. The Corporation is also poised to invest in the expanding Mexican market. In January 2002, the Corporation announced that it has signed a Memorandum of Understanding with certain Nova Scotia communities relating to the viability of a new natural gas distribution franchise in that province.

Consolidated Net Income 5 Year Forcast



By building on existing strengths, SaskEnergy can leverage its expertise, infrastructure and financial resources to enable the Corporation to provide long-term value to its customers, its owner and the people of Saskatchewan.

SaskEnergy has the strength to grow and be Canada's leading energy company.

CONSOLIDATED FINANCIAL STATEMENTS

As At December 31, 2001

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SaskEnergy Incorporated is responsible for the integrity of the accompanying consolidated financial statements and all other information contained in this annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are applied on a consistent basis. Preparation of financial statements necessarily includes the use of estimates as certain transactions are dependent upon future events. These estimates have been subjected to careful consideration by management.

The Corporation's Board of Directors is responsible for overseeing the business and affairs of the Corporation and for approving the annual financial statements. The Board of Directors has delegated certain responsibilities to its Audit and Finance Committee, including the responsibility for reviewing the annual financial statements and meeting with management, internal auditors and external auditors on matters relating to the financial reporting process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal control systems provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained.

The consolidated financial statements have been audited by Deloitte & Touche LLP, Chartered Accountants as appointed by the Lieutenant-Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The Auditors' Report, which appears on the next page, expresses their opinion on the fairness of the financial statements prepared by management.

R.S. Cl

Ronald S. Clark
President & Chief Executive Officer

Greg Mrazek
Vice President, Finance & Administration

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of SaskEnergy Incorporated as at December 31, 2001 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Canada
February 4, 2002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	Note	2001	2000
		(thousands)	
ASSETS			
CURRENT ASSETS			
Cash		$ -	$ 1,176
Accounts receivable		145,711	151,918
Natural gas in storage	3	97,800	37,431
Prepaid expenses		36,506	-
Gas cost variance account	4	-	26,068
Inventories of supplies		5,311	5,057
		285,328	221,650
CAPITAL ASSETS	5	1,018,687	1,010,476
NATURAL GAS IN STORAGE	3	30,590	32,249
INVESTMENT AND OTHER ASSETS	6	26,797	15,333
TOTAL ASSETS		$ 1,361,402	$ 1,279,708
LIABILITIES AND PROVINCE'S EQUITY			
CURRENT LIABILITIES			
Bank indebtedness		$ 678	$ -
Short-term debt	7	218,192	-
Accounts payable		129,271	152,213
Dividend payable		-	7,410
Current portion of long-term debt	7	-	50,000
		348,141	209,623
CUSTOMER CAPITAL CONTRIBUTIONS	8	97,190	94,716
LONG-TERM DEBT	7	623,571	667,492
TOTAL LIABILITIES		1,068,902	971,831
PROVINCE OF SASKATCHEWAN'S EQUITY			
Equity advances	9	71,531	71,531
Retained earnings	4	220,969	236,346
TOTAL EQUITY		292,500	307,877
		$ 1,361,402	$ 1,279,708
COMMITMENTS AND CONTINGENCIES	6,10		

(See accompanying notes)

On behalf of the Board:

__________, Director __________, Director

CONSOLIDATED STATEMENT OF EARNINGS & RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	Note	2001	2000
		(thousands)	
REVENUE			
Delivery revenue		$ 155,118	$ 166,488
Transportation and storage revenue		69,663	73,507
Net sales from gas marketing	12	38,531	17,509
Revenue collected for municipalities	11	22,152	18,125
Other		6,109	4,255
		291,573	279,884
EXPENSES			
Operating and maintenance		109,592	99,581
Interest	7	53,316	66,630
Amortization of capital assets		49,702	46,914
Payments to municipalities	11	22,152	18,125
Saskatchewan taxes and royalties	13	10,848	10,057
Total expenses		245,610	241,307
Net earnings from operations before the following		45,963	38,577
Commodity revenue		310,507	238,000
Cost of gas sold	4	371,847	232,153
Net revenue (loss) from commodity sales		(61,340)	5,847
Net earnings (loss)		(15,377)	44,424
Retained earnings, beginning of year		236,346	216,322
Dividend		-	(24,400)
Retained earnings, end of year		$ 220,969	$ 236,346

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2001	2000
		(thousands)	
OPERATING ACTIVITIES			
Net earnings (loss)		$ (15,377)	$ 44,424
Add (deduct) items not requiring an outlay of cash			
Amortization of capital assets		49,702	46,914
Amortization of customer capital contributions		(2,576)	(2,354)
Other non-cash items		921	2,456
		32,670	91,440
Net change in non-cash working capital related to operations	14	(87,796)	(1,105)
Cash provided by (used in) operating activities		(55,126)	90,335
INVESTING ACTIVITIES			
Additions to capital assets		(57,913)	(57,875)
Additions to investment and other assets		(12,385)	(9,753)
Customer capital contributions received		5,050	11,561
Decrease in natural gas in storage (non-current)		1,659	6,532
Cash used in investing activities		(63,589)	(49,535)
FINANCING ACTIVITIES			
Increase (decrease) in short-term debt		218,192	(38,800)
Proceeds from long-term debt		140,000	33,971
Repayment of long-term debt		(233,921)	(8,311)
Dividend paid		(7,410)	(24,464)
Cash provided by (used in) financing activities		116,861	(37,604)
INCREASE (DECREASE) IN CASH during year		(1,854)	3,196
CASH POSITION (BANK INDEBTEDNESS), beginning of year		1,176	(2,020)
CASH POSITION (BANK INDEBTEDNESS), end of year		$ (678)	$ 1,176

Cash position consists of cash less bank indebtedness.

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001

1. STATUS OF THE CORPORATION

SaskEnergy Incorporated (SaskEnergy) is a Saskatchewan provincial Crown corporation operating under authority of **The SaskEnergy Act.** SaskEnergy transports, stores and distributes natural gas in Saskatchewan.

By virtue of **The Crown Corporations Act, 1993**, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of CIC.

As a provincial Crown corporation, SaskEnergy and its wholly-owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

a. Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Bayhurst Gas Limited, Many Islands Pipe Lines (Canada) Limited, SaskEnergy International Incorporated, SaskEnergy Chilean Holdings I Ltd., SaskEnergy Chilean Holdings II Ltd., Swan Valley Gas Corporation, and TransGas Limited. In addition, the accounts also include the Corporation's 100 per cent ownership interest in SaskEnergy Chilean Holdings Limitada, a Chilean limited partnership. Separate audited financial statements are prepared for each of these entities.

b. Investments

Entities that the Corporation has the ability to significantly influence are accounted for using the equity method.

c. Natural gas in storage

Natural gas in storage (both current and non-current) is stated at cost. Natural gas removed from storage is accounted for on an average cost basis.

d. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are recorded at the lower of average cost or replacement cost.

e. Capital assets

Capital assets are stated at cost and include all direct costs plus overhead charges and an allowance for interest costs related to financing construction of the related assets.

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Retirement or sale of a major capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Other retirements of capital assets are recorded by reducing the asset account by the cost of the asset and charging this amount, net of proceeds received, to accumulated amortization.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows: (in per cent)

Transmission and storage	2.5 to 2.6
Distribution	2.5 to 3.5
Gathering, treatment and compression	2.5 to 3.5
Vehicles, equipment and other	2.5 to 33.3

The royalty interest in certain natural gas wells is amortized on the unit of production method.

f. Future employee benefits

The cost of future benefits earned by employees is actuarially determined using the projected benefit method and management's best estimates. Past service costs are included in investment and other assets and are amortized on a straight-line basis over the average remaining service period of active employees.

g. Deferred financing charges

Included in deferred financing charges are issue costs, discounts incurred on the issue of long-term debt, and costs of terminating delayed start interest rate swaps relating to financing of debt in 2001. These deferred financing charges are amortized as part of interest expense over the term of the related debt on a straight-line basis.

h. Customer capital contributions

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

i. Revenue recognition

Delivery and commodity revenue is recognized when natural gas is delivered to customers. An estimate of gas delivered, but not billed, is included in revenue.

Transportation and storage revenue is recognized when transportation, transportation related services and storage are provided to customers. An estimate of transportation, storage revenue and related services rendered, but not billed, is included in revenue.

j. Cost of gas sold

The cost of gas sold includes the cost of purchasing natural gas on the open market, transportation, direct operating costs related to supply acquisition, and natural gas inventory carrying costs.

3. NATURAL GAS IN STORAGE

Natural gas in storage, classified as a current asset, has been purchased for the purpose of resale.

Natural gas in storage, classified as a non-current asset, is located within the Corporation's various storage facilities and is required for the ongoing operations of the storage facilities.

The Corporation has natural gas reserves that are fully amortized. A portion of these reserves were sold in 2001 and 2000.

4. GAS COST VARIANCE ACCOUNT

For rate setting purposes, SaskEnergy's approved selling price for natural gas is based on the principle that it neither profits from nor incurs a loss on sale. Therefore, the Corporation established a Gas Cost Variance Account (GCVA) to accumulate differences between commodity revenue and the cost of gas sold. Subject to approval of CIC, balances accumulated in the GCVA are either recovered from or refunded to customers through future rates. SaskEnergy is allowed to apply for a rate change if the balance in the GCVA (surplus or deficit) exceeds $20,000 thousand.

Accordingly, the December 31, 2000 balance in the GCVA of $26,068 thousand owing to SaskEnergy by customers was recorded as a current asset.

As at May 31, 2001 the balance in the GCVA increased to $75,846 thousand. Effective May 31, 2001, CIC directed SaskEnergy to absorb the accumulated balance in the GCVA. For accounting purposes this under recovery has been included in the cost of gas sold.

As noted above, prior to June 1, 2001, balances in the GCVA were recorded as either an asset or liability. However, as a result of the above change in circumstances, commencing June 1, 2001 GCVA balances are included in the cost of gas sold.

The balance of $9,519 thousand in the GCVA as at December 31, 2001 (also included in the cost of gas sold) has been approved by CIC to be refunded to customers in 2002.

The GCVA, as at December 31, includes natural gas costs to be refunded to or recovered from customers as follows:

	2001	2000
	(thousands)	
Commodity sales revenue	$ (310,435)	$ (238,000)
Cost of gas before GCVA	349,650	257,907
Interest on the GCVA	1,044	136
Balance, beginning of year	26,068	7,542
	66,327	27,585
Under-recovery	(75,846)	(1,517)
Balance, end of year	$ (9,519)	$ 26,068

The $9,519 thousand is included in the December 31, 2001 retained earnings balance of $220,969 thousand.

5. CAPITAL ASSETS

	2001			2000		
			(thousands)			
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission and storage	$ 555,823	$ 132,576	$ 423,247	$ 547,551	$ 117,172	$ 430,379
Distribution	545,662	126,205	419,457	520,306	111,702	408,604
Gathering, treatment and compression	154,630	49,323	105,307	149,820	43,089	106,731
Vehicles, equipment and other	122,392	56,535	65,857	110,820	49,724	61,096
Royalty interest	6,831	6,805	26	6,831	5,905	926
Construction in progress	4,793	-	4,793	2,740	-	2,740
	$1,390,131	$ 371,444	$1,018,687	$ 1,338,068	$ 327,592	$ 1,010,476

The composite amortization rate was 3.64 per cent during 2001 (3.57 per cent during 2000).

6. INVESTMENT AND OTHER ASSETS

a. Long-term investment in Gas Sur S.A.

Under authority of Order-in-Council 735/1998 dated December 9, 1998, the Corporation purchased a 15 per cent equity interest in Gas Sur S.A., a Chilean natural gas distribution company. On December 14, 2001, under authority of Order-in-Council 825/2001 dated November 13, 2001, the Corporation increased its equity ownership in Gas Sur S.A. to 30 per cent.

In 2000, the 15 per cent equity interest in Gas Sur S.A. was recorded by the cost basis of accounting. On December 14, 2001, the equity ownership in Gas Sur S.A. was increased to 30 per cent and as a result, the investment was accounted for on the equity basis of accounting from that date.

The cash invested in Gas Sur S.A. shares is $12,602 thousand. The Corporation's share of Gas Sur S.A.'s net income and any foreign currency translation adjustment between December 14, 2001 and December 31, 2001 are not material and have not been recorded in these financial statements.

The cost of the investment exceeded the Corporation's share of the underlying net book value of Gas Sur S.A. by approximately $5,300 thousand and is not being amortized.

The Corporation has granted a guarantee related to certain obligations established under the Gas Sur S.A. Shareholder Agreement. The guarantee is expressly limited to $5,000 thousand USD.

b. Integrated Gas Services of Mexico, S. de R.L. de C.V. (IGASAMEX)

Order-in-Council 879/2001 dated December 4, 2001 authorizes the Corporation to purchase an equity interest in Igasamex, a Mexican natural gas midstream company. The Order-in-Council limits the investment to a maximum of $12,000 thousand USD. As at December 31, 2001, the Corporation had not completed negotiations for the purchase of the equity interest.

c. Deferred charges

Deferred charges include the following:

	2001	2000
	(thousands)	
Deferred financing costs	$ 8,874	$ 2,112
Unamortized past service costs	5,091	5,728
	$13,965	$ 7,840

7. LONG-TERM DEBT

Years to Maturity	2001 Principal Outstanding	2001 Average Fixed Interest Rate	2000 Principal Outstanding	2000 Average Fixed Interest Rate
	(thousands)	(per cent)	(thousands)	(per cent)
Province of Saskatchewan				
1 - 5	$ 198,249	8.8	$ 404,586	11.1
6 - 10	241,966	7.5	228,563	8.1
16 - 30	193,971	7.3	133,971	7.7
	634,186		767,120	
Less sinking fund equity	15,431		54,444	
Less due within one year	-		50,000	
Due to Province of Saskatchewan	618,755		662,676	
Other	4,816	13.5	4,816	13.5
Total long-term debt	$ 623,571		$ 667,492	

a. Sinking funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, SaskEnergy is required to (on an annual basis) invest an amount equal to one per cent of the related outstanding debt. This investment is referred to as a sinking fund. These sinking funds are administered by the Province of Saskatchewan's Department of Finance. The investments held in these sinking funds are primarily Province of Saskatchewan debt instruments. The yield on these investments was 6.19 per cent for 2001 (6.79 per cent for 2000).

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

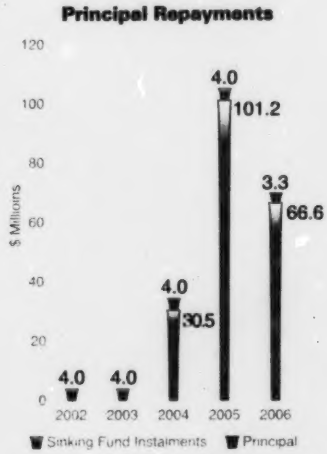
c. Short-term debt

During 2001, the Corporation borrowed funds on a short-term basis from the Province of Saskatchewan's General Revenue Fund at an average interest rate of 4.0 per cent.

Included in short-term debt at December 31, 2001 is an amount of $218,192 thousand (2000 - nil) that was due to the Province of Saskatchewan's General Revenue Fund with an interest rate of 2.0 per cent.

d. Principal repayments

Principal repayments and sinking fund instalments due in each of the next five years are as follows:



e. Interest expense

Interest expense was as follows:

	2001	2000
	(thousands)	
Interest on long-term debt	$ 54,234	$ 73,880
Interest expense on short-term debt	7,693	-
Interest on cost of gas sold	(5,002)	(2,548)
Sinking fund earnings	(3,307)	(3,441)
Interest capitalized	(271)	(239)
Interest income	(31)	(1,022)
	$ 53,316	$ 66,630

Cash interest paid during 2001 on long-term debt was $60,816 thousand (2000 - $73,103 thousand).

8. CUSTOMER CAPITAL CONTRIBUTIONS

Contributions are required to be paid by customers to SaskEnergy to aid in construction of certain customer specific facilities in accordance with established business policies.

	2001	2000
	(thousands)	
Balance, beginning of year	$ 94,716	$ 85,509
Contributions received	5,050	11,561
Contributions amortized	(2,576)	(2,354)
Balance, end of year	$ 97,190	$ 94,716

9. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received advances from Crown Investments Corporation of Saskatchewan (CIC) to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

10. COMMITMENTS

FINANCIAL INSTRUMENTS

The Corporation uses financial instruments in its hedging activities. A Corporate Derivatives Policy and specific hedging strategies establish the guidelines within which such instruments may be used. These policies require that SaskEnergy use financial instruments only to manage risks associated with transactions undertaken in the normal course of business. During 2001, the Corporation used financial instruments to hedge natural gas prices, interest rates, and foreign exchange rates.

a. Gas price hedging transactions

The Corporation may hedge the purchase price and sale price of natural gas. The purchase or sale price of gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, financial instruments may be used as a hedge to fix the settlement amount. The types of financial instruments SaskEnergy uses to effect these hedges include natural gas price swaps, options, and swaptions traded on the over-the-counter market. In addition, SaskEnergy may use futures contracts and options on futures contracts traded on the New York Mercantile Exchange.

b. Interest rate and foreign exchange hedging transactions

The Corporation also uses financial instruments to hedge the interest rate on anticipated borrowing requirements and the foreign exchange rate on foreign currency denominated transactions. For the purpose of hedging interest rates, the Corporation may use forward rate agreements, options, and interest rate swaps. For the purpose of hedging the exchange rate on transactions denominated in foreign currency, SaskEnergy may use currency forwards and currency options.

c. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(thousands)		
Long-term debt	$ 639,002	$ 727,009	$ 771,936	$ 825,877
Sinking fund equity	15,431	15,386	54,444	56,402
Natural gas price hedges owed to (by) SaskEnergy:				
- swaps	393	(35,669)	-	89,385
- options	36,506	(44,711)	(7)	39,099
Foreign exchange owed to (by) SaskEnergy	(238)	1,943	-	-
Interest rate hedges owed to (by) SaskEnergy:				
- forward rate agreements	-	(182)	-	-
- delayed swaps	-	-	-	(8,200)

The Corporation entered into a number of forward start interest rate swaps to hedge its exposure to interest rate repricing on debt maturing between 2001 and 2003. The Corporation terminated these forward start interest rate swaps during the year.

The fair values of the above instruments were based on the following:

i. Long-term debt - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Sinking fund equity - The market value of the investments held in the sinking fund as at December 31, 2001.

iii. Natural gas price swaps - The relevant index price in effect on December 31, 2001.

iv. Natural gas price options - The relevant index price in effect on December 31, 2001.

v. Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 2001.

vi. Foreign exchange - The Bank of Canada exchange rate on December 31, 2001.

vii. Interest rate hedges - Closing quotations from the counterparty as to the amount to settle the contract on December 31, 2001.

The carrying values of other financial instruments (accounts receivable, accounts payable and short-term debt) approximates fair value.

d. Credit risk

The Corporation extends credit to its customers in the normal course of business and is at risk of loss in the event of non-performance by counterparties on certain of the financial instruments described above. To mitigate its credit risk, SaskEnergy has established policies and procedures to monitor and limit the amount of credit extended to its customers and counterparties.

e. Forward sales agreement

The Corporation is planning to sell natural gas from non-operational storage facilities. The Corporation has entered into forward sales agreements over a two-year period totaling $25,520 thousand.

LEASES

The Corporation leases natural gas storage facilities near Regina, Saskatchewan. The annual base lease payments are as follows: (thousands)

2002	2003	2004	2005	2006	Thereafter	Total
$362	$371	$380	$389	$399	$1,918	$3,819

11. REVENUE COLLECTED FOR AND PAID TO MUNICIPALITIES

a. Natural gas distribution

In accordance with regulations under **The SaskEnergy Act**, SaskEnergy is required to remit to 109 urban municipalities an amount calculated as either five per cent or three per cent of natural gas sales to customers within the respective municipality. These municipal payments are charged to customers and reported as revenue collected for municipalities. These amounts are remitted to the respective municipalities and reported as payments to municipalities on the Statement of Earnings.

b. Natural gas transmission

In accordance with regulations under **The SaskEnergy Act**, TransGas is required to collect from specific customers an amount based on the value of natural gas transported on their behalf. TransGas in turn pays the revenue collected to the certain municipalities. The revenue collected is classified as revenue collected for municipalities, and the expense paid is classified as payments to municipalities.

12. NET SALES FROM GAS MARKETING

Net sales from gas marketing includes the following:

	2001	2000
	(thousands)	
Competitive gas sales	$ 497,838	$ 227,421
Cost of gas	459,307	209,912
Margin	$ 38,531	$ 17,509

13. SASKATCHEWAN TAXES AND ROYALTIES

Saskatchewan taxes and royalties include the following:

	2001	2000
	(thousands)	
Corporate capital tax	$ 5,154	$ 4,541
Royalties	4,700	4,700
Mitigation payments and property taxes	994	816
	$ 10,848	$ 10,057

The above amounts do not include Saskatchewan Education and Health Tax payments.

14. NET CHANGE IN NON-CASH WORKING CAPITAL

	2001	2000
	(thousands)	
Natural gas in storage - current	$ (60,369)	$ 12,253
Gas cost variance account	26,068	(18,526)
Prepaid expenses	(36,506)	-
Accounts payable	(22,942)	77,284
Inventories of supplies	(254)	1,346
Accounts receivable	6,207	(73,462)
	$ (87,796)	$ (1,105)

15. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at exchange amounts which approximate prevailing market prices under normal trade terms. Transactions during the year, and amounts outstanding at year end, are as follows:

	2001	2000
	(thousands)	
Operating expenses	$ 25,791	$ 24,662
Revenue	15,568	26,095
Customer capital contributions	2,650	2,625
Accounts payable	979	973
Accounts receivable	914	1,882

In addition, the Corporation pays Saskatchewan Education and Health Tax, to the Province of Saskatchewan's Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

16. PENSION PLANS

Substantially all employees of the corporations included in these consolidated financial statements are members of either a defined contribution or a defined benefit pension plan.

In accordance with the terms of the defined contribution plan (Public Employees Pension Plan) and the defined benefit pension plan (Power Corporation Superannuation Plan), the Corporation's obligations are limited to making regular payments to the plans to match contributions made by the employees for current services. During the year, the corporation contributed $2,525 thousand (2000 - $2,334 thousand) on behalf of employees for current services.

17. SEGMENTED INFORMATION

SaskEnergy operates predominantly in the following two industry segments:

Distribution (Distribution Division of SaskEnergy) provides natural gas distribution to the Province of Saskatchewan.

Transportation (TransGas Limited) operates the major natural gas transmission pipeline system within Saskatchewan providing open access transmission services including gathering, compression and natural gas processing to end use customers, marketers and export producers. This company also provides natural gas storage services.

A) Statement of Earnings (millions of dollars)

	Distribution		Transportation		Other[1]		Intercompany Eliminations		Total	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
REVENUE										
Delivery revenue	**158.1**	170.5	-	-	**0.6**	-	**(3.6)**	(4.0)	**155.1**	166.5
Transportation and storage	-	-	**126.0**	133.4	**3.6**	4.2	**(59.9)**	(64.1)	**69.7**	73.5
Net sales from gas marketing	-	-	**34.9**	15.4	-	-	**3.6**	2.1	**38.5**	17.5
Revenue collected for municipalities	**16.3**	13.3	**5.8**	4.8	-	-	-	-	**22.1**	18.1
Other	**4.3**	3.4	-	-	**6.1**	4.3	**(4.3)**	(3.5)	**6.1**	4.2
Revenue	**178.7**	187.2	**166.7**	153.6	**10.3**	8.5	**(64.2)**	(69.5)	**291.5**	279.8
EXPENSES										
Operating and maintenance	**116.8**	114.4	**49.8**	45.7	**2.6**	2.0	**(59.6)**	(62.5)	**109.6**	99.6
Interest	**17.6**	26.4	**29.6**	39.2	**6.0**	1.0	**-**	-	**53.2**	66.6
Amortization of capital assets	**23.6**	22.7	**24.6**	22.9	**1.7**	1.4	**(0.1)**	(0.1)	**49.8**	46.9
Payments to municipalities	**16.3**	13.3	**5.8**	4.8	-	-	-	-	**22.1**	18.1
Saskatchewan taxes and royalties	**3.0**	2.4	**7.2**	7.2	**0.6**	0.5	-	-	**10.8**	10.1
Expenses	**177.3**	179.2	**117.0**	119.8	**10.9**	4.9	**(59.7)**	(62.6)	**245.5**	241.3
Net earnings from operations before the following	**1.4**	8.0	**49.7**	33.8	**(0.6)**	3.6	**(4.5)**	(6.9)	**46.0**	38.5
Commodity revenue	**310.4**	238.0	-	-	**0.1**	-	-	-	**310.5**	238.0
Cost of gas sold	**376.8**	239.5	-	-	**0.1**	-	**(5.0)**	(7.4)	**371.9**	232.1
Net revenue (loss) from commodity sales	**(66.4)**	(1.5)	-	-	-	-	**5.0**	7.4	**(61.4)**	5.9
Net earnings (loss)	**(65.0)**	6.5	**49.7**	33.8	**(0.6)**	3.6	**0.5**	0.5	**(15.4)**	44.4

B) Statement of Financial Position (millions of dollars)

	Distribution		Transportation		Other[1]		Intercompany Eliminations		Total	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
Current assets	**280.5**	211.1	**57.3**	68.8	**127.0**	32.3	**(179.5)**	(90.5)	**285.3**	221.7
Capital assets & natural gas in storage	**461.4**	450.0	**564.6**	572.1	**26.5**	25.9	**(3.2)**	(5.3)	**1,049.3**	1,042.7
Investment & other assets	**8.5**	5.4	**5.9**	2.4	**863.8**	789.9	**(851.4)**	(782.4)	**26.8**	15.3
Total Assets	**750.4**	666.5	**627.8**	643.3	**1,017.3**	848.1	**(1,034.1)**	(878.2)	**1,361.4**	1,279.7
Current liabilities	**216.7**	199.9	**65.6**	57.0	**244.2**	91.3	**(178.4)**	(138.7)	**348.1**	209.6
Customer capital contributions	**64.9**	63.4	**29.6**	29.7	**5.8**	4.9	**(3.1)**	(3.3)	**97.2**	94.7
Long-term debt	**269.7**	215.0	**340.4**	366.3	**632.3**	669.3	**(618.8)**	(583.0)	**623.6**	667.5
Total Liabilities	**551.3**	478.3	**435.6**	453.0	**882.3**	765.5	**(800.3)**	(725.0)	**1,068.9**	971.8
Total Equity	**199.1**	188.2	**192.2**	190.3	**135.0**	82.6	**(233.8)**	(153.2)	**292.5**	307.9

[1] The Other category includes subsidiaries, investments and divisions of the Corporation. A complete list of subsidiaries and investments is provided in Note 2.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation accounts for intercompany sales as if the sales were to third parties, that is, at current market prices.

The reportable segments are the major strategic business units of the Corporation. Each business unit is managed separately as they provide products and services requiring different business, technology and marketing strategies.

18. SASKATCHEWAN RATE REVIEW PANEL

During 2000, The Saskatchewan Rate Review Panel was established by Minister's Order. The Panel was established to conduct a review of the Corporation's request for a change in rates charged for natural gas commodity sales and delivery service. The review of proposed rate changes considers the interests of the consumer, the Corporation and the public. SaskEnergy applied for both a commodity rate increase and decrease in 2001.

19. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the current year's presentation. The financial statements as at December 31, 2000 and for the year then ended were audited by other auditors who expressed an opinion without reservation on these statements in their audit report dated February 5, 2001.

FIVE-YEAR OPERATING SUMMARY – DISTRIBUTION UTILITY

	2001	2000	1999	1998	1997
Sales in million cubic metres (10^3m^3)†	4,312	3,050	2,899	3,293	3,325
Residential annual average usage (cubic metres)	3,173	3,497	3,316	3,255	3,504
Degree days+	5,390	5,864	5,343	5,338	5,665
Customers at year end*	321,504	320,340	317,219	313,425	309,171
Pipelines – in kilometres (km)	65,193	64,814	64,169	63,063	61,831

+ A unit measuring the extent to which the temperature falls below 18° Celsius. (In a normal year, the degree days are 5,746).

* Number of Active Services.

† Retail and gas marketing.

FIVE-YEAR OPERATING SUMMARY – TRANSMISSION BUSINESS

	2001	2000	1999	1998	1997
Pipelines (kilometers)					
TransGas					
Transmission	13,097	13,067	13,033	12,935	12,857
Gathering	304	286	286	286	421
Many Islands Pipe Lines (Canada) Limited	434	434	414	414	414
Swan Valley Gas Corporation (SVGC)	50	50	0	0	0
	13,885	13,837	13,733	13,635	13,692
Compressor Stations					
TransGas	22	22	22	22	22
Many Islands Pipe Lines (Canada) Limited	1	1	1	1	1
	23	23	23	23	23
Compression Horsepower					
TransGas	100,620	100,375	100,375	100,375	100,375
Many Islands Pipe Lines (Canada) Limited	4,000	4,000	4,000	4,000	4,000
	104,620	104,375	104,375	104,375	104,375
Peak Day Gas flows (Winter Season)					
Billion Cubic Feet	1.24	1.31	1.23	1.32	1.36
Date of Peak Day flow	Feb 10	Dec 11	Dec 19	Jan 12	Jan 9
Storage Cavern Sites	7	7	7	7	7
Storage Caverns	23	24	24	24	24
Storage Field Sites	3	3	3	3	3

CORPORATE GOVERNANCE

A. Authority

SaskEnergy is a statutory Crown corporation which is governed by *The SaskEnergy Act* and *The SaskEnergy Regulations*. The Board of Directors oversees the management of the Corporation and holds management accountable for the Corporation's performance. Through the Chair, the Board of Directors is accountable to the Minister Responsible for SaskEnergy, who functions as a link between the Corporation and Cabinet, as well as the Provincial Legislature.

B. Board Responsibilities

The Board is responsible for the stewardship of the Corporation. In carrying out this responsibility, the Board participates in the Corporation's strategic planning process each year and approves the strategic direction and corporate plan. The Board also exercises its responsibility to oversee and ensure adherence to *The SaskEnergy Act*. The Board met seven times during fiscal 2001.

C. Board Composition

SaskEnergy's Board of Directors is representative of the Saskatchewan community and industry. The Lieutenant-Governor in Council, pursuant to *The SaskEnergy Act*, appoints Board members. Members possess a variety of significant attributes, including industry expertise, strategic leadership, entrepreneurial and communication skills, integrity, flexibility, sound judgment and initiative. Board members are committed to serving the Corporation, and in so doing, serving Saskatchewan people through emphasis on client service, productivity, profitability, cooperation and sound environmental stewardship.

D. Committees

The Board established the following four committees to assist in discharging specific areas of Board responsibility:

- Audit and Finance Committee
- Governance Committee
- Human Resources/Compensation Committee
- Safety, Health and Environment Committee

- **Audit and Finance Committee**

  Chair: Mervyn Simon

  The Audit and Finance Committee mandate is to assist the Board of Directors in meeting their responsibilities with respect to financial reporting, internal control and accountability. In addition, it ensures that the Board is provided with financial plans and proposals consistent with the Corporation's overall strategic plan and public policy objectives.

- **Governance Committee**

  Chair: Tim Gitzel

  The Governance Committee is responsible for the development and maintenance of SaskEnergy's corporate governance practices. Among other things, its duties include evaluating the performance of the Board and establishing appropriate board and board committee structure, composition and mandate.

- **Human Resources/Compensation Committee**

  Chair: Michael Chorlton

  The Human Resources/Compensation Committee mandate is to oversee SaskEnergy's human resource strategies, programs and practices to ensure that SaskEnergy is a corporate leader in the development and implementation of proactive human resource strategies.

- **Safety, Health and Environment Committee**

  Chair: George E. Lafond

  The Safety, Health and Environment Committee mandate is to ensure the Corporation is proactively addressing safety, health and environmental issues and is in compliance with all statutory requirements.

E. Governance Practices

SaskEnergy's approach to corporate governance practices is substantially consistent with the guidelines set forth in the *Canadian Institute of Chartered Accountants (CICA) handbook – Guidance for Directors, Governance Processes for Control,* which guidelines were adopted by the Board of Governors of the Toronto Stock Exchange. These guidelines address the key areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role in working with management and the functioning of the Board. SaskEnergy's corporate governance practices are benchmarked against the Toronto Stock Exchange (TSE) Guidelines in the following Governance Scorecard.

TSE Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSE Guidelines?
1. The board should explicitly assume responsibility for the stewardship of the Corporation, specifically for:		
(a) Adoption of a strategic planning process:	The Board of Directors has a formal mandate with responsibility to function as stewards of the Corporation. One of the Board's principal duties is to provide leadership in setting the Corporation's long-range strategic direction and to approve the Corporation's overall strategic plan. The Corporation's comprehensive strategic planning process results in the annual review and approval by the Board of the Corporation's strategic plan, annual operating and capital budget and financial plan. In addition, the Board conducts an annual two-day comprehensive strategy session with Senior Management, at which the Board reviews and assesses the performance of the Corporation and its subsidiaries, reviews business plans, reviews short-term and long-term objectives for the Corporation, including discussing and approving strategies to meet these objectives.	Yes
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks:	The Board identifies the principal risks of the Corporation on an annual basis and monitors the Corporation's risk management programs, in addition to overseeing the implementation of appropriate systems to manage those risks.	Yes
(c) Succession planning, including appointing, training and monitoring senior management:	The Human Resources/Compensation Committee of the Board annually reviews the adequacy of the Corporation's succession planning strategy, performance targets, and the performance evaluations of the Executive Officers of the Corporation, including the Executive training plan.	Yes
(d) A communications policy for the Corporation:	Although there is no formal written policy, SaskEnergy is committed to the principles of transparency, openness and timeliness in communications with its shareholder, employees, stakeholders and the public.	Yes
(e) The integrity of the Corporation's internal control and management information systems:	The Audit and Finance Committee is responsible for the financial reporting, internal control and accountability of the Corporation. This Committee reviews the integrity of the internal controls and financial management information systems in conjunction with the internal and external auditors.	Yes

TSE Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSE Guidelines?
2. The board of directors of every Corporation should be constituted with a majority of individuals who qualify as unrelated directors (i.e. one who is independent of management and is free from any interest in any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors' ability to act with a view to the best interest of the Corporation, other than interests and relationships arising from shareholding):	There are ten individuals on the SaskEnergy Board of Directors. Ronald S. Clark, President and CEO, and Tom Ryberg, Assistant to the President of CEP Union, Local 649, are the only related Board members.	Yes
3. Disclosure of significant shareholders (ability to exercise a majority of votes to elect directors):	SaskEnergy is a statutory Crown corporation and does not have any share capital.	Not applicable
4. The board is required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion of whether the director is related or an unrelated director:	Susan Milburn, Chair: UNRELATED - Vice President and Associate Portfolio Manager of Raymond James Ltd. Tim Gitzel: UNRELATED - President, Vice-Chair, and CEO of COGEMA Resources Geoffrey W. Bartlam: UNRELATED - Independent Business Person Michael W. Chorlton: UNRELATED - Vice President, Renessen LLC, Chicago, Illinois Ronald S. Clark: RELATED - President and Chief Executive Officer of SaskEnergy Ralph Hesje: UNRELATED - Independent Industry Business Person George E. Lafond: UNRELATED - Tribal Chief, Saskatoon Tribal Council Emmet Reidy: UNRELATED - Independent Business Person Tom Ryberg: RELATED - Assistant to the President of CEP Union, Local 649 (Company employee on leave for Union business)	Yes

TSE Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSE Guidelines?
	Mervyn J. Simon: UNRELATED - Independent Industry Business Person For the unrelated directors, none of them, or their "associates" has worked with or for the Corporation by material contracts or has received remuneration from the Corporation in excess of fees and compensation as Directors and Committee members or as Directors of subsidiaries of the Corporation.	
5. The board of directors of every Corporation should appoint a committee of directors composed of exclusively of outside directors, ie. non-management, the majority of whom are unrelated directors, with responsibility to proposing to the full board new nominees to the board and for assessing directors on an on-going basis:	The Governance Committee has responsibility to make recommendations to the Board on the size, composition and required qualifications of the Board of Directors. All of the Governance Committee members are outside, unrelated directors.	Yes
6. Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors:	The Governance Committee is responsible for implementation of an annual performance evaluation of the Board of Directors, each Committee, the Chair and individual Directors. The process is conducted by an outside third party consultant. The results are summarized and reported to the Board of Directors, as well as the Crown Investments Corporation Board of Directors.	Yes
7. Every Corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board:	The SaskEnergy Board has approved a Board of Directors Training Policy, which outlines the Corporation's commitment to the orientation, and training of its incoming Board members and the ongoing training and industry education for current Board members. This policy outlines the comprehensive orientation material to be provided to incoming Board members. As part of the ongoing training for Board members, Crown Investments Corporation of Saskatchewan and the Corporation have each facilitated additional training sessions for Board members in 2001.	Yes

TSE Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSE Guidelines?
8. Every board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making:	SaskEnergy's present Board size of ten members brings the necessary skills and experience to Board decision making to form an effective decision-making body. SaskEnergy's Governance Committee is responsible for annually assessing the size, composition and required qualifications of the Board to determine whether it has all the necessary constituents for effective decision-making.	Yes
9. The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director:	The Human Resources/Compensation Committee is responsible for annually reviewing the compensation for the Board members and the Chair, and recommending to Crown Investments Corporation for approval any proposed adjustments to compensation levels. Crown Investments Corporation of Saskatchewan is mandated by legislation to fix the remuneration and rate of reimbursement for expenses of directors.	Yes
10. (a) A committee should be generally composed of non-management directors: (b) The majority of committee members should be unrelated:	Committees are comprised solely of non-management members, except Human Resources/Compensation Committee and the Safety, Health and Environment Committee, where Tom Ryberg, a unionized employee on leave from the Corporation, is a member.	Yes
11. Every board of directors should expressly assume responsibility for or assign to a committee of directors the general responsibility for developing the Corporation's approach to governance issues. This committee would, amongst other things, be responsible for the Corporation's response to these governance guidelines:	The majority of Committee members are unrelated. The Governance Committee is mandated to be responsible to the Board for governance of SaskEnergy, including issues related to governance and conflict of interest involving Directors and Senior Executives. The Governance Committee has reviewed and approved this report.	Yes
12. (a) The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO involving the definition of the limits to management's responsibilities:	The Board of Directors has developed the Board's Terms of Reference which outlines the responsibilities for the Board and management. The Board of Directors has approved policies for the execution of documents and expenditure authorities for the CEO and Senior Management. These policies outline the limits to Senior Management's authorities and the levels for which matters must receive Board of Directors approval.	Partially. The CEO position description has been completed and is awaiting final approval of the Board.

TSE Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSE Guidelines?
(b) The board should approve or develop the Corporation's objectives which the CEO is responsible for meeting:	The Human Resources/Compensation Committee annually reviews with the CEO the performance targets and performance evaluation of the CEO and the Executive Officers.	Yes
13. Every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management:	The Board structure at SaskEnergy is such that the Chair of the Board is unrelated. The Board meeting procedures are such that at each meeting the Board conducts an in-camera session whereby Management, including the President and CEO, are excused from the meeting.	Yes
14. The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues, as appropriate. The audit committee's duties should include oversight responsibility for management reporting on internal control. It is the responsibility of the audit committee to ensure that management has designed and implemented an effective system of internal control:	All members of the SaskEnergy Audit and Finance Committee are outside Directors. SaskEnergy's Audit and Finance Committee has a mandate to: • Review with Management and external auditor, and recommend to the Board for approval, the Annual Audited Financial Statements of the Corporation and its wholly-owned subsidiaries. • Review and recommend for approval of the Board the Management discussion and analysis section of the Annual Report, as well as any other disclosure documents containing financial statements of the Corporation. • Review the semi-annual financial statements. • Review annually the results of the external auditors review of the Corporation's financial record. • Review the results of the reports of the internal and external auditor with respect to the state of the Corporation's internal control systems. • Review the quality of service and the performance of the external auditor and recommend the appointment or reappointment of an external auditor. • Review and approve the plans of the Corporation's internal auditor. • Review financial forecasts and changes to the annual depreciation rates, major investments or divestitures and the insurable risks and insurance coverage of the Corporation. • Review annually the efficacy of the Corporation's policies relating to execution of documents, derivatives, and expenditure. • Review annually the objectives, goals and basic principles in use of financial derivatives to manage interest rates, gas price and foreign currency risk.	Yes

TSE Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSE Guidelines?
	• Review quarterly the performance and execution of the gas price hedging strategy, corporate debt strategy and foreign exchange hedging strategy as contained in the Corporate Derivatives Policy. • Review annually the borrowing and new venture financing of the Corporation.	
15. The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of an outside advisor should be subject to the approval of an appropriate committee of the board:	The Board or any Committee of the Board may obtain the advice and counsel of external advisors if, in the opinion of the Board or Committee, it is necessary in order to properly discharge their function, duties and responsibilities that such advisor be engaged.	Yes

BOARD OF DIRECTORS

Back row l. to r.:
Geoffrey Bartlam, Tim Gitzel, Ron Clark, George Lafond, Mike Chorlton

Seated l. to r.:
Emmet Reidy, Ralph Hesje, Susan Milburn, Tom Ryberg, Mervyn Simon

Executive Committee
Ronald S. Clark, *President & Chief Executive Officer*
George Barnhart, *Vice President, Strategic Development*
Larry Braun, *President, Communications,*
Energy & Paperworkers (CEP) Union, Local 649
David Easton, *Vice President, SaskEnergy International*
Ken From, *Vice President, Gas Supply*
Mark Guillet, *General Counsel & Corporate Secretary*
Robert Haynes, *Vice President, Human Resources*
Colleen Huber, *Vice President, Information Systems*
Doug Kelln, *Vice President, Distribution Utility*
Greg Mrazek, *Vice President, Finance & Administration*
Ron Podbielski, *Executive Director, Corporate Affairs*
Daryl Posehn, *Vice President, TransGas*
Dean Reeve, *Vice President, Business Development & Market Services*

GLOSSARY OF TERMS

The following words and abbreviations appear in boldface, through this Report:

Joule – a base unit of energy.

Gigajoule (GJ) – a metric measure of energy used to express the heating value of natural gas or of energy consumed. An average home uses about 130 Gigajoules per year.

Terajoule (TJ) – a unit of energy equivalent to 1,000 Gigajoules.

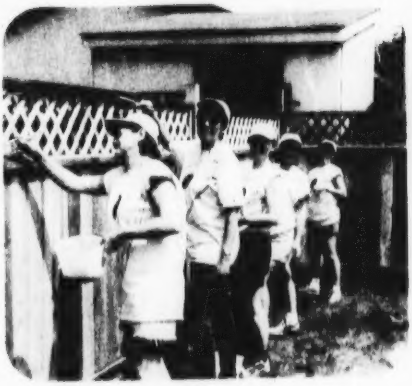
Petajoule (PJ) – a unit of energy equivalent to 1,000,000 Gigajoules.

m^3 (cubic metres) - a common unit of measurement used to express the amount of natural gas sold to consumers. The average home uses about 3,552 m^3 of gas per year.

MMcf/day (one million cubic feet per day) – term commonly used to express the volume of gas flowing through a transmission pipeline system.

SaskEnergy TransGas

Special Employee Supplement to 2001 Annual Report and Corporate Social Responsibility Report



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SaskEnergy and TransGas Employees

The Strength to Grow

When a company speaks about its strengths, you'll frequently hear a discussion about a new product, innovative service or ground-breaking technology - the company's most tangible way to prove itself in the marketplace and to the rest of the world. While these factors are important, they do not solely define the strength behind SaskEnergy and TransGas. What truly invigorates our company are the men and women working behind the scenes. Your personalities, backgrounds, and unique capabilities have prepared this company to harness the future.

As the President of SaskEnergy, I've had the fortunate opportunity to witness our employees' significant contribution to their company and their communities. Whether I've talked to these employees one on one, or seen the dedication they exhibit each day, I have always been extremely impressed with all of you - the heart and soul of this company.

But just as important as my personal observation of our employees is how others within our company recognize their colleagues' contributions. Through a peer nomination process, more than 100 men and women from across Saskatchewan were entered in a draw to appear in the 2001 Annual Report and Corporate Social Responsibility Report.

This outstanding response and willingness to support each other is a tremendous asset to our company. And it makes me very proud to see that so many of you value your fellow colleagues not only as employees, but also as individuals.

This booklet lists all employees who were nominated to appear in either Report. Due to space limitations, we unfortunately could not profile every employee in the Annual or Corporate Social Responsibility Report. Although this document only captures a slice of the remarkable contributions made by so many employees, all of you can take great pride in knowing that this company is filled with bright and talented individuals who are the strength behind SaskEnergy and TransGas.

I am extremely proud to lead this company and to be surrounded by such tremendous men and women.

R.S. Cl

Ronald S. Clark

Peer nominees for 2001

Annual Report

Margot Almas, *Manager of Marketing and Sales, Regina;*
Joanne Buratenski, *Marketing Supervisor, Saskatoon;*
Jacquie Kerr, *Director of Marketing and Sales, Regina;*
Linda Lawrence, *Marketing Supervisor, Saskatoon*
for their work in developing on-line service enhancements and improving our corporate website.

Dale Clarkson, *District Operations Supervisor, TransGas, Coleville*
for his ongoing management of Coleville's operations, and his commitment to the company's vision.

Trent Cousins, *Service Technician (D&R), North Battleford*
for his dedication to providing excellent customer service.

Donna Dahlman, *CSR I, Moose Jaw*
for her work as a CSIS trainer and her involvement in the WINCSIS project.

Suzanne Deck, *Manager of Purchasing, Regina*
for her commitment to SaskEnergy's Supplier Development Program.

Al Elmer, *Director of Corporate Services, Regina*
for his leadership during the corporate office relocation.

Harvey Fedyk, *Manager of New Business Development, TransGas, Regina*
for his involvement in business development for TransGas, SaskEnergy, Swan Valley Gas and Harbour Energy (in Nova Scotia).

Gord Gault, *Director of Corporate Accounting, Regina*
for his outstanding leadership in Finance throughout the years.

Fred Hill, *Business Manager (Acting), Regina*
for being SaskEnergy's advocate in pursuing alternative energy solutions.

Brenda Hornsby, *CSR I, North Battleford*
for her professionalism when handling customer inquiries.

Frank Hughes, *Service Technician II, Tisdale*
for always providing excellent customer service.

Glenn Jones, *Senior Engineer, Regina*
for spearheading the engineering needs of the Moose Jaw, Swift Current and Kindersley areas.

Grant Laird, *Manager of Materials Management, Saskatoon*
for his leadership in managing SaskEnergy Stores and for his commitment to the company.

Karen Main, *Diversity Coordinator, Regina*
for her dedication to educating all employees about the importance of diversity.

Linda Noe, *CSR I, Tisdale*
for managing various customer service activities and leading training activities within the Tisdale office. Linda also participates in many Share the Warmth activities.

Teresa Reynolds,
CSR I, Prince Albert
for always being courteous, pleasant and helpful to customers.

Aven Ross, *Supplier Development Officer, Regina*
for her ongoing dedication to working with suppliers and manufacturers across Saskatchewan.

Mike Rossiter, *Service Technician I, Rosetown*
for his role as a D & R trainer.

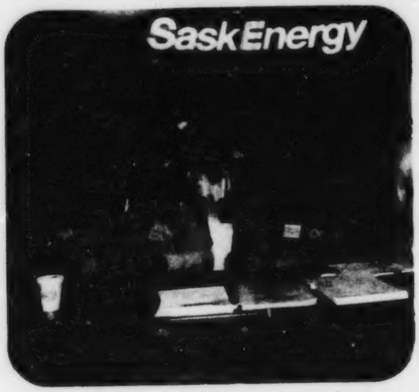
Barry Rudd, *District Operations Supervisor, TransGas, Maple Creek*
for overseeing the daily operation of compression facilities in the Hatton district, and for volunteering as a Cub pack leader and Vice Chair on the Board of Directors for Maple Creek and District Opportunities Corporation.

Dale Staudt, *Equipment Operator, Construction*
for his role as crew supervisor during construction work on the Swan Valley Gas project.

Kathy Steponchev, *Transport Administrator, TransGas, Regina*
for her role on the Connection to Value (CtoV) Team, which uses internet and web technologies to simplify TransGas business processes and improve customer access to more information.

Jerry Stevens, *Service Technician I, Moose Jaw*
for his leadership in developing Job Observation guidelines for different work activities.

Larry Taylor, *Maintenance Technician II, North Battleford*
for his ongoing commitment to the company, and to meeting customers' needs quickly and effectively.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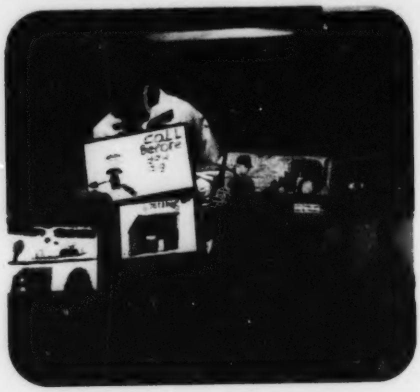
Call Before

United Way Day of Car
TransGas
A SaskEnergy Company
At Work In O

Peer nominees for 2001

Corporate Social Responsibility Report

Lori Beale, *Manager of Billing Services, Regina*
for her involvement in the SaskEnergy Festival of Trees.

Lloyd Bennett, *Service Technician I, Saskatoon*
for his involvement on the United Way Campaign Cabinet and for participating in Helping Hands Day.

Ellen Berscheid, *CSR III, Saskatoon*
for her role as Share the Warmth Fund Coordinator and participant in the Lester B. Pearson Care N' Share Christmas Dinner, EGADZ Christmas Party and Danae Foundation barbecue.

Bentley Biletski, *Service Technician I, Assiniboia*
for his involvement as a Share the Warmth Fund Council member and community volunteer.

Al Bleackley, *Maintenance Technician I, Saskatoon*
for his involvement in the Saskatoon Christmas Hampers program.

Pat Briggs, *Meter Shop Supervisor, TransGas, Saskatoon*
for her involvement in the Joint SHE Committee.

Tami Brissaw, *CSR I, Saskatoon*
for participating in the Summer Snack Program, Helping Hands Day and Christmas Hampers Program.

Mary Brodner, *CSR I, Swift Current*
for her work as a Share the Warmth Sweater Recycling liaison.

LeeAnne Campbell, *CSR I, Moose Jaw*
for participating as a Share the Warmth Sweater Recycling Liaison, and as a volunteer in her community.

Sherry Cardinal, *CSR I, Saskatoon*
for her involvement in the Super Saturdays Program.

Gerry Clouthier, *Instrument Technician, Saskatoon*
for his participation in the Aboriginal Youth Job Expo.

Ruth Copeland, *CSR I, Kindersley*
for her role as a Share the Warmth Sweater Recycling Liaison and United Way Loaned Representative.

Al Corcoran, *Operations Supervisor, Swift Current*
for his leadership on the Contractor Safety Breakfasts, as well as his willingness to volunteer whenever needed.

Catherine Cox, *CSR I, Kindersley*
for her involvement as a Share the Warmth Fund Chairperson and liaison for Sweater Recycling Projects, and for her involvement in Junior Achievement.

Maria Dahlseide, *CSR I, Saskatoon*
for her involvement in Helping Hands Day.

Bev Dearborn, *Office Administrator, Transmission Operations, TransGas, Unity*
for her role in the Sweater Recycling Projects.

Larissa Doerksen, *CSR I, Saskatoon*
for her involvement in Junior Achievement.

Fred Donald,
Service Technician II, Esterhazy
for his involvement in beautifying the Esterhazy community and participating in Sweater Recycling Projects.

Mary Ann Dudragne, *CSR I, Swift Current*
for her contribution to the area SHE Committee and the Joint SHE Committee.

Connie Dugas, *CSR I, Saskatoon*
for her ongoing commitment to Sweater Recycling Projects and EGADZ Centre in Saskatoon.

Roger Fafard, *Service Technician I, Carlyle*
for his involvement in minor sports and the local rink board.

Dale Farthing, *Supervisor, Saskatoon*
for his involvement on the Saskatoon Youth Science Fair Board and the Canada-Wide Science Fair Board.

Walter Ficko, *Service Technician I, Saskatoon*
for his involvement in the Danae Foundation barbecue and Helping Hands Day.

Shannon Fraser-Hansen, *Business Manager, Saskatoon*
for her involvement in the Summer Snack Program, EGADZ Christmas Party, Helping Hands Day, the Dane Foundation barbecue, and for participating in the United Way Allocations Committee.

Jeff Froehlich, *Service Technician (D&R), Saskatoon*
for his involvement in the Christmas Hampers Program and Danae Foundation barbecue.

Michell Giroux, *CSR III, Weyburn*
for her involvement in Sweater Recycling Projects and the United Way.

Kathy Hackl, *CSR I, Saskatoon*
for her involvement in Helping Hands Day.

Carol Hart, *CSR I, Saskatoon*
for participating in the Lester B. Pearson Care N' Share Christmas Dinner.

Troy Hatcher,
Service Technician I, Saskatoon
for his participation in the Danae Foundation barbecue and Helping Hands Day.

Jill Jackson, *Service Technician (D&R), Kindersley*
for her involvement in Sweater Recycling Projects and Day of Caring.

Donna James, *CSR I, Swift Current*
for her contribution to the SHE Committee, especially in the area of Job Observation implementation.

Stan Kuryluk, *Service Technician II, Humboldt*
for helping organize SaskEnergy's role in the Humboldt Winter Games.

Karel Larson, *Service Technician I, Saskatoon*
for her leadership role as Coordinator of Saskatoon Sweater Recycling Projects, and for her involvement with the EGADZ Centre.

Norm Lawrence, *General Manager, Saskatoon Area*
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